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CQ TODAY MIDDAY UPDATE

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# Democrats Say Treaty Would Help to Fight International Tax Evasion

Tax treaties rarely get much attention on Capitol Hill, but as Democratic tax writers and the Obama administration pursue a crackdown on international tax evasion, they say a pending pact with Malta could provide a model for — and a boost to — their efforts.

The treaty, negotiated by the [George W. Bush](#) administration, may be ratified by the Senate in coming weeks. To get to this point, the tiny Mediterranean island has had to live down its longstanding notoriety among lawmakers as a tax haven — a reputation that led the United States to terminate its original tax treaty with the country in 1997.

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Malta's experience is instructive as Congress considers legislation designed to close off destinations for Americans looking to conceal their wealth. It opens a window to the concerns of policymakers and the ways some nations are trying to address them.

Business groups back the U.S.-Malta treaty, and lawmakers following the effort see it as a step forward in ending banking secrecy.

The new tax regime will be helpful in cracking down on international tax avoidance, said Sen. [Ted Kaufman](#), D-Del., noting that it includes "enhanced protection" against gaming the system through so-called treaty shopping.

The Treasury Department negotiates tax treaties with foreign governments to help deal with the often complicated question of how much U.S. citizens living or doing business abroad owe in taxes to the United States and to the country where the income was generated.

The treaties address the same questions about the tax obligations of citizens from the covered nations who live in the United States. They can also help émigrés avoid double taxation or excessive taxes.

But tax treaties also play an important role in the Treasury Department's efforts to find tax cheats overseas, as a treaty sets up a more formal exchange of tax information between the two countries.

At the same time, the agreements can also lead to treaty shopping, in which individuals from a third country figure out a way to exploit the provisions of a tax treaty to reduce their U.S. tax liability. That is a particular concern in countries that are popular destinations for offshore business operations.