

Welcome to JFK? But Not You Sir!

When the Institute of Certified Public Accountants in Israel held their annual convention in 1993 in Jerusalem, then-President Ezer Weizman attended as guest of honor. "Global trends will one day lead the US to a totalitarian Bolshevik policy while adversely, the Soviet Union will evolve increasingly into a liberal and capitalist region," was his prediction for the future. His remarks raised eyebrows and were met with ridicule and skepticism. Some even thought it was just another one of Ezer Weizman's trademark mischievous provocations.



By **Shmuel Rosenblum**,
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Today, an increasing number of native American citizens living in Israel can't (or are afraid to) set foot in JFK. Despite the fact that they were born in the US and hold American citizenship, many who immigrated to Israel in their infancy or whose parents are American-born, have to consider the possibility that traveling back to the US from Israel could get them in hot water with the US tax authorities. US tax laws obligate them to report their income in Israel but many fail to do so for various reasons, and some US-born Israeli citizens are not even aware of their fiscal liability. But Big Brother is watching and waiting with a ledger at passport control!

ARBITRARY SANCTIONS

The big problem (in a policy which is supposedly purported to uphold US tax law) is that the fines and sanctions imposed on violators of these laws are often arbitrary and open-ended, so that Americans have no way of foreseeing the amount of an expected fine.

And so we behold the fulfillment of Ezer Weizman's prophecy: The US, world power and leader of the free world, which consistently provided its citizens with relative security regarding what is expected of them by law, has now undermined its former core philosophies and is failing to provide this security. Curiously, this is what formerly characterized life on the other side of the Iron Curtain.

FATCA AND ... THE JEWISH PROBLEM

This new constitutional uncertainty can be demonstrated in the recent fuss involving Mizrahi Bank vis-à-vis the US Department of Justice. Since the enactment of the FATCA Act (FORCA), US tax authorities have made use of every tool at their disposal to impose their new policy on financial entities across the globe. This is how the American authorities succeeded in breaching the long-standing, die-hard Swiss banking confidentiality, and it's a welcome achievement.

One of the goals of the new policy is to expose the movement of funds intended for terrorism. But the goal that direct-

ly and immediately affects the man on the street (wherever they may be in the world) is to expose and exact punishment to American citizens who have dodged the tax missile, including those who live outside the US. Thus, the United States is marching forward with a socialist vision of social justice, burden-sharing and strict enforcement.

The Mizrahi Bank of Israel was accused of assisting American citizens in circumvention of US policy and tax evasion, and US enforcement authorities offered the Bank a "light" fine of \$342,000,000 (1.2 billion NIS) to make the problem go away. But Mizrahi's Board of Directors rejected the offer, which they said was entirely random "with no accounting basis." How did they make the calculation? How did they get to a sum of \$342,000,000 as the genuine value of fines evaded? What

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Weizman predicted more than two decades ago should remind us not to expect any answers soon.

CONCLUSIONS AND RECOMMENDATIONS

Think about the fact that you have no way of knowing how much a fine could set you back if you're caught for tax evasion! That thought should be enough to get you to pay your fine in a timely manner by pursuing payment from your own initiative (in Israel this is called "voluntary disclosure"). If you proactively settle payment of your income tax, the damage to your pocket will be a lot less than if you choose to take your chances with the law. Our representatives in the USA were able to "cure" Israelis of physical and emotional conditions such as sleep disturbances, anxiety and panic attacks that had previously ailed them at the thought of entering the airport terminal in New York. Clients who took our advice say they feel healthier and sleep better at night—guilt and worry-free. And most importantly: Whenever they visit family in Brooklyn, they breeze through the airport and into the arrivals hall.

Please note: *Most problems are not, in fact, due to tax evasion; the initial requirement is to file an annual report. American citizens who refrain from filing a report, even if they don't owe any taxes, may be subject to fines—so we recommend filing in any case.*

ABOUT THE COMPANY

Rosenblum Holtzman, CPA was founded in 1981. The firm provides a wide range of services to corporations, kibbutzim, non-profit organizations and private clients. These services include auditing annual financial statements, representing clients before the tax authorities, tax planning, internal auditing, information systems, risk management, information security, financial consulting, Sarbanes Oxley implementation, and evaluating corporate governance. The firm has special expertise in forensic auditing and assisting in legal proceedings involving accounting and financial evaluations. With over 100 employees, Rosenblum Holtzman provides a top tier professional service, while simultaneously allowing clients to receive personal attention from the partners.

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