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12	Attorneys for the United States of America	
13		
14	IN THE UNITED STATES DISTRICT COURT FOR THE	
15	NORTHERN DIST	RICT OF CALIFORNIA
15	IN THE MATTER OF TAX LIABILITIES OF:	Case No.: C 05-4167 JW
15 16	IN THE MATTER OF TAX LIABILITIES OF: JOHN DOES, United States taxpayers who,	
15 16 17 18	IN THE MATTER OF TAX LIABILITIES OF: JOHN DOES, United States taxpayers who, during the years ended December 31, 1999 through December 31, 2004, had signature) Case No.: C 05-4167 JW)))) SECOND DECLARATION OF BARBARA
15 16 17 18 19 20	IN THE MATTER OF TAX LIABILITIES OF: JOHN DOES, United States taxpayers who, during the years ended December 31, 1999 through December 31, 2004, had signature authority over bank accounts at or over MasterCard, VISA, or American Express) Case No.: C 05-4167 JW))
15 16 17 18 19 20 21	IN THE MATTER OF TAX LIABILITIES OF: JOHN DOES, United States taxpayers who, during the years ended December 31, 1999 through December 31, 2004, had signature authority over bank accounts at or over) Case No.: C 05-4167 JW)))) SECOND DECLARATION OF BARBARA
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15 16 17 18 19 20 21 22 23 24	IN THE MATTER OF TAX LIABILITIES OF: JOHN DOES, United States taxpayers who, during the years ended December 31, 1999 through December 31, 2004, had signature authority over bank accounts at or over MasterCard, VISA, or American Express cards issued by, through, or on behalf of banks or other financial institutions in Anguilla, et al.	Case No.: C 05-4167 JW SECOND DECLARATION OF BARBARA KALLENBERG OCCUPANT OF BARBARA
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- 1. This declaration supplements my earlier declaration dated October 7, 2005, related to the proposed John Doe summons to PayPal, Inc.
- 2. The Internal Revenue Service initiated its Offshore Credit Card Project to investigate allegations that United States taxpayers were avoiding their tax obligations by putting money in offshore accounts and using debit and credit cards to repatriate the funds. More than 1,200 Revenue Agents have been trained to handle these cases, and hundreds of Revenue Agents are currently assigned to the investigation nationwide. While many offshore payment card numbers are now known, and many U.S. taxpayers have been identified, the Internal Revenue Service has not yet established the total universe of all such payment card accounts and the U.S. taxpayers who use them to avoid the internal revenue laws.
- 3. Approximately 1,300 persons came forward under the Offshore Voluntary Compliance Initiative and admitted to underpayments of tax relating to offshore accounts. These 1,300 persons used offshore payment cards or accounts to evade tax on over 3,700 tax returns, and have paid over to the United States Treasury approximately \$270 million in tax, penalties, and interest related to their activity. This initiative has further resulted in the discovery of 479 promoters of this tax-evasion scheme, of whom 230 were previously unknown to the IRS, and of whom 56 are located outside of the United States but promoting the scheme in the United States.
- 4. In my experience in the Offshore Credit Card Project no case has come to my attention in which a U.S. taxpayer has gone offshore only to conceal assets from creditors. It is my experience that such taxpayers also have attempted to evade taxes.
- 5. The total number of card accounts owned by U.S. taxpayers identified pursuant to the John Doe summonses served upon MasterCard and VISA, merchants, and third party processors is 12,896, as indicated on Schedule B to the proposed John Doe summons to PayPal. The number of U.S. taxpayers using those payment cards is a slightly lesser number, as some of the persons own more than one payment card.

SECOND DECLARATION OF BARBARA KALLENBERG C 05-4167 JW

- 6. I cannot state the number or percentage of U.S. taxpayers owning the above payment cards that have been determined to have failed to comply with the U.S. internal revenue laws, on a country-by-country basis, because the IRS has not compiled such statistics.
- 7. The most current figures indicate that approximately 72% of the Offshore Credit Card Project examinations completed within this fiscal year have disclosed underpayments of tax associated with the use of offshore payment cards and bank accounts.
- 8. This investigation has additionally uncovered accounts held by U.S. taxpayers currently undergoing criminal investigation or civil examination or who have large tax assessments pending or in collection. This information is routinely passed on to the IRS agents responsible for those cases. However, the IRS has no effective means of tracking this use of the payment card data that would enable the United States to provide an accurate number or percentage of those occasions.
- 9. My prior discussion of eight tax evasion prosecutions was merely to illustrate how U.S. taxpayers use offshore payment cards and bank accounts for purposes of tax evasion. Those eight cases do not represent the entirety of such prosecutions or the total number of convictions obtained.

SECOND DECLARATION OF BARBARA KALLENBERG C 05-4167 JW

1	I declare under penalty of perjury, pursuant to 28 U.S.C. Section 1746, that the foregoing	
2	is true and correct.	
3	Executed this 30th day of January, 2006.	BARBARA KALLENBERG
5		Revenue Agent Internal Revenue Service
6 7	Pursuant to General Order No. 45(Y)(R)	I Anton I Jonik Ir attact that I have obtained
8	Pursuant to General Order No. 45(X)(B), I, Anton L. Janik, Jr. attest that I have obtained	
9	Barbara Kallenberg's concurrence with each statement made within this Declaration, and such	
10	concurrence shall serve in lieu of her signature on this document.	
11	DATED this 30th day of January, 2006.	/s/ Anton L. Janik, Jr. ANTON L. JANIK, JR.
L2 L3		Trial Attorney, Tax Division U.S. Department of Justice
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