

# FACEBOOK Now Under Investigation By Feds For Epic Tax Fraud

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## Facebook is being investigated by the IRS

by Seth Fiegerman [@CNNTech](#)

Does the U.S. have the highest corporate tax rate?

### Facebook just got poked by Uncle Sam.

The U.S. Justice Department filed a petition in court on Wednesday to force Facebook ([FB, Tech30](#)) to comply with an ongoing IRS investigation into whether the company significantly understated the value of property transferred to an Ireland subsidiary as part of a complex maneuver to reduce its tax payments

The issue dates back to 2010, according to the IRS, when Facebook shifted the rights for its worldwide business, excluding the U.S. and Canada, to Facebook Ireland, including certain hard to quantify assets like its "user base, online platform and marketing intangibles."

The IRS came to believe that Ernst & Young, the accounting firm tasked with valuing the assets in this transfer, may have "understated" the worth of these intangibles by "billions of dollars," according to a copy of the legal filing provided to CNNMoney.

The IRS has been working to gather information on the 2010 agreement for years, with limited cooperation.

Nina Wu Stone, an investigator with the IRS, notes in one of the filings that she issued six summonses last month for Facebook to produce records related to the asset transfer. Facebook failed to comply with those requests.

"Facebook complies with all applicable rules and regulations in the countries where we operate," a Facebook spokesperson said in a statement.

The Justice Department and IRS declined to comment beyond the documents filed. Reps for Ernst & Young did not immediately respond to our request for comment.

Facebook, along with tech peers like Apple ([AAPL, Tech30](#)) and Google ([GOOGL, Tech30](#)), has come under fire in recent years for curbing assets in Ireland and other countries that serve as havens thanks to their low corporate tax rate. In March, Facebook caved to the pressure somewhat and agreed to [stop routing revenue](#) earned in the U.K. through Ireland.

The Justice Department's suit comes as the clock is running down on the issue. The statute of limitations is set to expire on July 31, according to the filing.

"Even if the court acts quickly and Facebook produces the information immediately, it is unlikely the IRS will be able to analyze it by July 31," says J. Richard Harvey Jr., a law professor at Villanova. "Either Facebook will need to agree to extend the statute of limitations or the IRS will likely propose a very large audit adjustment."

CNNMoney (New York)