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**Isaac M. O'Bannon** • Jun. 18, 2014

The [Internal Revenue Service](#) has made significant changes to its offshore voluntary compliance programs, with the intent of providing new options to help both taxpayers residing overseas and those residing in the United States. The agency says the changes are anticipated to provide thousands of people a new avenue to come into compliance with their U.S. tax obligations.

The changes include an expansion of the streamlined filing compliance procedures announced in 2012 and important modifications to the 2012 Offshore Voluntary Disclosure Program (OVDP). The expanded streamlined procedures are intended for U.S. taxpayers whose failure to disclose their offshore assets was non-willful.

“This opens a new pathway for people with offshore assets to come into tax compliance,” said IRS Commissioner John Koskinen. “The new versions of our offshore programs reflect a carefully balanced approach to ensure everyone pays their fair share of taxes owed. Through the changes we are announcing today, we provide additional flexibility in key respects while maintaining the central components of our voluntary programs.”

Balanced against the modified programs is the government's ongoing effort to combat the misuse of offshore assets. The IRS, working closely with the U.S. Department of Justice, continues to investigate foreign financial institutions that may have assisted U.S. taxpayers in avoiding their tax filing and payment obligations. In addition, on July 1, the new information reporting regime resulting

from the Foreign Account Tax Compliance Act (FATCA) will go into effect. Thousands

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thoughtful input of the tax community given the growing awareness among U.S. taxpayers of their offshore tax obligations.

“Through our enforcement efforts and implementation of FATCA, taxpayers are more aware of their obligations, and we believe want to come into compliance,” Koskinen said. “In this rapidly changing environment, we listened to feedback from the tax community as well as the National Taxpayer Advocate about our voluntary programs. We have made important adjustments to provide opportunities for all U.S. taxpayers to come in, including those who are not willfully hiding assets.”

### Streamlined Procedures Expanded

The changes announced today make key expansions in the streamlined procedures to accommodate a wider group of U.S. taxpayers who have unreported foreign financial accounts.

The original streamlined procedures announced in 2012 were available only to non-resident, non-filers. Taxpayer submissions were subject to different degrees of review based on the amount of the tax due and the taxpayer's response to a “risk” questionnaire.

The expanded streamlined procedures are available to a wider population of U.S. taxpayers living outside the country and, for the first time, to certain U.S. taxpayers residing in the United States. The changes include:

- Eliminating a requirement that the taxpayer have \$1,500 or less of unpaid tax per year;
- Eliminating the required risk questionnaire;
- Requiring the taxpayer to certify that previous failures to comply were due to non-willful conduct.

For eligible U.S. taxpayers residing outside the United States, all penalties will be

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- Requiring additional information from taxpayers applying to the program;
- Eliminating the existing reduced penalty percentage for certain non-willful taxpayers in light of the expansion of the streamlined procedures;
- Requiring taxpayers to submit all account statements and pay the offshore penalty at the time of the OVDP application;
- Enabling taxpayers to submit voluminous records electronically rather than on paper;
- Increasing the offshore penalty percentage (from 27.5% to 50%) if, before the taxpayer's OVDP pre-clearance request is submitted, it becomes public that a financial institution where the taxpayer holds an account or another party facilitating the taxpayer's offshore arrangement is under investigation by the IRS or Department of Justice.

Income Tax • IRS

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