

IRS Says Offshore Effort Tops \$5 Billion, Announces New Details on the Voluntary Disclosure Program and Closing of Offshore Loophole

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WASHINGTON — The Internal Revenue Service today announced that its offshore voluntary disclosure programs have exceeded the \$5 billion mark and released new details regarding the voluntary disclosure program announced in January, including tightening the eligibility requirements.

"We continue to make strong progress in our international compliance efforts that help ensure honest taxpayers are not footing the bill for those hiding assets offshore," said IRS Commissioner Doug Shulman. "People are finding it tougher and tougher to keep their assets hidden in offshore accounts."

Shulman said the IRS offshore voluntary disclosure programs have so far resulted in the collection of more than \$5 billion in back taxes, interest and penalties from 33,000 voluntary disclosures made under the first two programs. In addition, another 1,500 disclosures have been made under the new program announced in January.

The voluntary disclosure programs are part of a wider effort by the IRS to stop offshore tax evasion and ensure tax compliance. This includes beefed up enforcement, criminal prosecution and implementation of third-party reporting through the Foreign Account Tax Compliance Act ([FATCA](#)).

The IRS also closed a loophole that's been used by some taxpayers with offshore accounts. Under existing law, if a taxpayer challenges in a foreign court the disclosure of tax information by that government, the taxpayer is required to notify the U.S. Justice Department of the appeal.

The IRS said that if the taxpayer fails to comply with this law and does not notify the U.S. Justice Department of the foreign appeal, the taxpayer will no longer be eligible for the Offshore Voluntary Disclosure Program ([OVDP](#)). The IRS also put taxpayers on notice that their eligibility for OVDP could be terminated once the U.S. government has taken action in connection with their specific financial institution.

Additional details of these eligibility issues are available in a new set of questions and answers released today on the current OVDP, which was announced in January ([see IR-2012-5](#)). The IRS reopened the OVDP following continued strong interest from taxpayers and tax practitioners after the closure of the 2011 and 2009 programs.

This program – which helps bring people back into the tax system -- will be open for an indefinite period until otherwise announced. The program is similar to the 2011 program in many ways, but with a few key differences. Unlike last year, there is no set deadline for people to apply. However, the terms of the program could change at any time going forward.

Under the current OVDP, the offshore penalty has been raised to 27.5 percent from 25 percent in the 2011 program. The reduced penalty categories of 5 percent and 12.5 percent are still available.

The IRS also announced a plan to help U.S. citizens residing overseas to catch up with tax filing obligations and

assistance for people with foreign retirement plan issues. See [IR-2012-65](#) for more.

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