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Robert W. Wood
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FATCA Carries Fat Price Tag


Image via Time.com

FATCA—the Foreign Account Tax Compliance Act—could cost financial institutions $100 million. No, that's not penalties or taxes. We're ***just*** talking ***compliance costs***.

So says James Broderick, head of JP Morgan's European, Middle Eastern and African asset management business. See U.S. tax evasion law could cost big banks $100 million. The figure is an estimate of the cost each big multinational institution faces to implement FATCA.

FATCA is much maligned by multinationals, but these big financial institutions can't be too happy either. See Scratched By The FACTA. Speaking at a conference of Italy's Assogestioni asset management association, Mr. Broderick forecast the law's fat impact. If $100 million per institution doesn't seem massive, he suggested overall implementation costs could equal the roughly $8 billion FATCA is supposed to raise over 10 years.

Taxpayer Reporting. On top of FBAR TD F 90-22.1 filings, FATCA's Section 6038D requires U.S. taxpayers to report foreign accounts and assets with an aggregate value exceeding $50,000. Required reporting includes:

- Any financial account maintained by an FFI;
- Any stock or security issued by a non-U.S. person;

- Any financial interest or contract held for investment that has a non-U.S. issuer or counterparty; and
- Any interest in a foreign entity. That means taxpayers who purchase foreign real estate through an entity are covered

Institutional Reporting. FATCA requires foreign banks to report U.S. account holders to the IRS. After identifying them, institutions must impose a 30% tax on payments or transfers to account holders who refuse to step up. The IRS issued Notice 2011-53 to give foreign financial institutions (FFIs) and U.S. withholding agents time to implement compliance systems.

FFIs must file IRS reports by September 30, 2014. At first, FFIs must report only:

- Name, address, and U.S. taxpayer identification number of U.S. account holder. For U.S.-owned foreign entities, the name, address, and U.S. TIN of each substantial U.S. owner is required.
- Account balance as of December 31, 2013.
- Account number.

If FATCA will ***cost*** $8 billion and ***raise*** $8 billion, it doesn't sound too efficient. JP Morgan's Mr. Broderick noted that, "It would be easier to just write a check to the IRS." Yet as the clamor for repeal seems to have waned, it seems likely that FATCA is here to stay.

For more, see:

Firms count cost of FATCA compliance

IRS FATCA Guidance, Round 3

Oh Canada! Hating FBARs And FATCA

Expats Call For FATCA Repeal

Please Sir, Can I Have Some More FATCA?

Stripping FATCA From Our Diet

FBAR And FATCA Haters Unite

Analysis: Critics say new law makes them tax agents

Beware Foreign Trust Reporting to IRS

Are You Getting Enough FBAR?

Robert W. Wood practices law with Wood LLP, in San Francisco. The author of more than 30 books, including Taxation of Damage Awards & Settlement Payments (4th Ed. 2009, Tax Institute), he can be reached at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.