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IRS Watchdog Critiques Offshore Tax Amnesty

The IRS offshore voluntary disclosure program **sort of** closed up shop September 9, 2011. See [IRS Extends OVDI Deadline Due to Hurricane Irene](#). That was the deadline for **initial** submissions. But you could ask for an **extension** until December 8, 2011 and many did. See [Mailing Is Not Enough For Sept. 9 OVDI Deadline](#). Plus, even after that it will be months before all the cases are processed and concluded with IRS closing agreements.



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Besides, even outside the program, it's still possible to do an IRS voluntary disclosure. See [It's Not Too Late For IRS Amnesty](#). Many taxpayers somehow didn't hear of the program in time and are coming forward even now, though with less certainty about exactly how IRS penalties will be computed.

In the wake of the OVDI, the IRS watchdog called the Treasury Inspector General for Tax Administration ([TIGTA](#)) released a report finding the IRS voluntary disclosure effort generally effective. Make no mistake, the IRS effort was major, with a high volume of disclosures. TIGTA suggests some ways to improve the program, but on the whole, gives it a thumbs-up. Audit Report No. 2011-30-118 is available [here](#).

Tax Deal Part Deux. The first IRS program ended October 15, 2009, netting about 15,000 taxpayers with money stashed in more than 60 countries. Then in February 2011, the IRS unveiled a second OVDI to give taxpayers another chance to get current. The [2011 OVDI](#) carried higher penalties than the 2009 deal, but there were ways to make them even lower than in 2009 in some cases.

TIGTA's Findings. Given the high volume of submissions, the IRS streamlined procedures, eliminating the interviews it had been planning. As it processed paperwork like crazy, the IRS was gathering and indexing its goldmine of data about foreign accounts and bankers. The result is a new network of information that will help IRS big time in the future. See [IRS Voluntary Disclosure A Mistake For Some](#).

TIGTA commends the IRS for establishing centralized groups of revenue agents, technical advisors and coordinators around the country to ensure that cases, issues and penalties were handled consistently. A good example, says TIGTA was the mess over reporting of Passive Foreign Investment Companies ([PFICs](#)). The IRS spotted and handled them in a consistent way. See [What to Do if Your Foreign Account Is a PFIC](#).

TIGTA surveyed practitioners who participated in the 2009 program. They generally viewed it as positive, reflecting fair and consistent treatment for clients. Probably the biggest objection by tax practitioners and clients was the “one-size-fits-all” nature of the program that treated everyone basically the same. While TIGTA didn't address that, it's a continuing grumble.

A taxpayer who willfully stashed money overseas was lumped in with recent immigrants or people who inherited foreign accounts and had no idea they were mis-stepping. It turns out that many “U.S. taxpayers” actually have tenuous U.S. connections and tax sophistication. See [IRS May Find “Innocent” FBAR Violation Willful](#).

Of course, the 2011 OVDI was better about that than the 2009 program in some ways. Plus, people can consider opting out. See [How Do You Opt Out Of IRS Voluntary Disclosure?](#)

For more, see:

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[IRS Amnesty Led Offshore Account Holders to Pay, Report Says](#)

[Tax Amnesty Goes Hollywood](#)

[Does IRS Amnesty Go Beyond Foreign Accounts?](#)

[Is Foreign Account Ignorance Bliss?](#)

[IRS Criminal Investigations On Rise](#)

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