

IRS Fact Sheet

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IRS Offshore Voluntary Disclosure Efforts Produce \$6.5 Billion; 45,000 Taxpayers Participate

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Stopping offshore tax cheating and bringing individuals, especially high net-worth individuals, back into the tax system has been a top priority of the Internal Revenue Service for several years.

IRS offshore voluntary disclosure programs are designed to encourage taxpayers with undisclosed offshore assets to become current with their tax liabilities. The programs have been part of a wider effort to stop offshore tax evasion, which includes enhanced enforcement, criminal prosecutions and implementation of third-party reporting via the Foreign Account Tax Compliance Act (FATCA).

The latest series of voluntary programs began in 2009. Overall, the three voluntary programs have resulted in more than 45,000 voluntary disclosures from individuals who have paid about \$6.5 billion in back taxes, interest and penalties. Here are highlights of the different variations of the IRS offshore efforts since 2009:

2009 OVDP

The IRS announced the 2009 Offshore Voluntary Disclosure Program (OVDP) in March 2009. It offered taxpayers an opportunity to avoid criminal prosecution and a settlement of a variety of civil and criminal penalties in the form of single miscellaneous offshore penalty. It was based on existing voluntary disclosure practices used by IRS Criminal Investigation.

Generally, the miscellaneous offshore penalty for the 2009 program was 20 percent of the highest aggregate value of the unreported offshore accounts from 2003 to 2008. Participants were also required to file amended or late returns and FBARs for those years.

Concurrent publicity associated with U.S. enforcement actions against certain foreign banks led to strong demand of this voluntary program.

In the 2009 OVDP the IRS received 15,000 disclosures prior to the Oct. 15 closing date that year. It resulted in the collection of \$3.4 billion in back taxes, interest and penalties. It also led to another 3,000 disclosures after the closing date.

2011 OVDI

The 2009 program resulted in many disclosures and furthered the investigation of many individuals and financial institutions that facilitated non-compliance with U.S. tax laws. As these investigations continued, the IRS responded to requests from tax practitioners that additional individuals sought to come forward and voluntarily disclose their offshore accounts.

In February 2011, the IRS announced the 2011 Offshore Voluntary Disclosure Initiative (OVDI), which lasted until Sept. 9 of that year.

Generally, participants of this program paid a 25-percent miscellaneous offshore penalty on the highest aggregate value of unreported offshore accounts from 2003 to 2010. In addition, some participants were eligible for special 5-percent or 12.5-percent penalties, depending on the severity of their noncompliance.

The 2011 OVDI drew 15,000 disclosures and resulted in the collection of \$1.6 billion in back taxes, interest and penalties for the 70 percent of cases that were closed that year.

2012 OVDP

After the two prior voluntary programs, continued strong interest by taxpayers and tax professionals led to a third program. In January 2012, the IRS revised the terms of the 2011 OVDI program and made it permanent until further notice.

Under the 2012 Offshore Voluntary Disclosure Program, participants pay a penalty of 27.5 percent of the highest aggregate balance or value of offshore assets during the prior eight years. The 5 or 12.5 percent penalties remained in effect for certain taxpayers.

In June 2012, the IRS added an option to the existing disclosure program that enabled some U.S. citizens and others residing abroad to catch up on their filing requirements and avoid large penalties if they owed little or no back taxes. This option took effect in September of that year. This 2012 program has drawn 12,000 disclosures since its inception.

2014 Changes to Offshore Programs

In June 2014, the IRS announced major changes in the 2012 offshore account compliance programs, providing new options to help taxpayers residing in the United States and overseas. The changes are anticipated to provide thousands of people a new avenue to come back into compliance with their tax obligations.

And with expansion of the streamlined procedures for non-willful taxpayers, the IRS will also adjusted the terms for taxpayers participating in the OVDP whose conduct may reflect willful non-compliance. The changes modify the OVDP program to make it suited for taxpayers seeking relief from potential criminal prosecution.

All told, the three voluntary programs have resulted in more than 45,000 voluntary disclosures from individuals who have paid about \$6.5 billion in back taxes, interest and penalties.