MANUAL TRANSMITTAL

4.63.1

Department of the Treasury
Internal Revenue Service

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EFFECTIVE DATE

(01-18-2018)

PURPOSE

(1) This transmits new IRM 4.63.1, Withholding and International Individual Compliance (WIIC), Overview of the WIIC Practice Area.

MATERIAL CHANGES

(1) This is a new IRM section describing the WIIC Practice Area.

EFFECT ON OTHER DOCUMENTS

None

AUDIENCE

LB&I employees

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Large Business and International Division

4.63.1
Overview of the WIIC Practice Area

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4.63.1.1
(01-18-2018)
Program Scope and Objectives

(1) **Purpose**: This IRM section describes the Withholding and International Individual Compliance (WIIC) Practice Area's structure, members and their respective roles and responsibilities as part of the Large Business and International (LB&I) Division.

(2) **Audience**: The primary users of this IRM are employees, management and executives of the WIIC Practice Area in the LB&I Division.

(3) **Policy Owner**: The Director, WIIC develops policies governing the WIIC Practice Area.

(4) **Program Owner**: The Director, WIIC manages and administers the WIIC Practice Area.

(5) **Program Goals**: The goals of the WIIC program align with the LB&I Strategic Goal to apply the tax laws with integrity and fairness through a highly skilled and satisfied workforce, in an environment of inclusion where each employee can make a maximum contribution to the mission of the team. Additionally, each program area aligned under WIIC has its own program area level goals that supplement the WIIC and LB&I level goals:

(6) **Contact Information**: To recommend changes or to make any other suggestions to this IRM section, contact one of the individuals listed on the WIIC Contacts website at *http://lmsb.irs.gov/pa/wii/global/contact.asp*.

4.63.1.1.1
(01-18-2018)
Background

(1) As part of LB&I's reorganization, the WIIC Practice Area was established with overall responsibility for the following taxpayers:

- U.S. citizens living and/or working abroad or in a U.S. Territory/Possession
- U.S. citizens or resident aliens who hold income producing assets in a foreign country or claim the foreign earned income exclusion or foreign tax credit
- Foreign persons who have a U.S. filing requirement
- Related U.S. withholding agents

(2) The WIIC Practice Area is comprised of four program areas, each with different goals and responsibilities, as follows:

a. WIIC Practice Networks (Inbound and Outbound)
b. Field Operations (includes examination territories, Offshore Voluntary Disclosure Program (OVDP) and Campus Compliance Unit (CCU)
c. Offshore Compliance Initiatives
d. Foreign Payments Practice (FPP) Field Operations (includes examination territories, Central Withholding Agreements (CWA) and Program Management Office)

4.63.1.1.2
(01-18-2018)
Authority

(1) The development, implementation and oversight of the international individual compliance strategies and program initiatives are the prerogative of the Director, WIIC.

(2) IRM 4.10, Examination of Returns, provides the basic procedures, guidelines and requirements for use by revenue agents and tax auditors in conducting income tax examinations. Additional procedures for LB&I cases are found in IRM 4.46, LB&I Examination Process.

4.63.1.1.3
(01-18-2018)
Roles and Responsibilities

(1) The Director, WIIC is responsible for the development, implementation and oversight of the withholding and international individual compliance strategies and program initiatives.

4.63.1.1.4
(01-18-2018)
Program Management and Review

(1) **Program Reports**: Director, WIIC Practice Area prepares periodic briefing reports for the LB&I commissioner focusing on:

- Significant accomplishments and opportunities for improvement
- Changes in programs that have been implemented
- Identifying future improvements
- Any other key information

(2) Program managers report progress on their respective program area level projects to the Director, WIIC Practice Area. Team managers provide progress reports on their team level projects to their respective program managers.

(3) **Program Effectiveness**: The efficiency of WIIC is measured through combined business results of the teams that comprise the WIIC Practice Area.

4.63.1.1.5
(01-18-2018)
Program Controls

(1) The Director, WIIC is responsible for providing compiled director's briefings for the LB&I commissioner to identify goals and accomplishments of each program area.

4.63.1.1.6
(01-18-2018)
Acronyms

(1) The table lists commonly used acronyms and their definitions:

Acronym	Definition
CCU	Campus Compliance Unit
CWA	Central Withholding Agreement
FATCA	Foreign Account Tax Compliance Act
FPP	Foreign Payments Practice
IIC	International Individual Compliance
NRA	Nonresident Alien
OCI	Offshore Compliance Initiatives
OVDP	Offshore Voluntary Disclosure Program
PA	Practice Area
PN	Practice Network
USTB	United States Trade or Business

4.63.1.1.7
(01-18-2018)
Related Resources

(1) For information regarding the WIIC Practice Area international individual compliance strategies and program initiatives, refer to WIIC website *http://lmsb.irs.gov/pa/wii/*.

(2) For additional information regarding the Practice Networks (PN) structure, members and their respective roles and responsibilities, visit PN SharePoint at *https://organization.ds.irsnet.gov/sites/LBIINTL/SitePages/default.aspx*.

(3) For additional information regarding the Field Operations, International Individual Compliance (IIC) structure, members and their respective roles and responsibilities, visit *http://lmsb.irs.gov/pa/wii/foreign_resident/default.asp*.

(4) For additional information regarding the Offshore Compliance Initiatives (OCI) structure, members and their respective roles and responsibilities, visit *http://lmsb.irs.gov/pa/wii/Offshore_Compliance_Initiative/default.asp*.

(5) For additional information regarding the Field Operations, Foreign Payments Practice (FPP) structure, members and their respective roles and responsibilities, visit *http://lmsb.irs.gov/pa/wii/foreign_payments/default.asp*.

(6) For information regarding the LB&I examination process, see IRM 4.46, LB&I Examination Process.

(7) For information regarding the basic procedures, guidelines and requirements for use by revenue agents and tax auditors in conducting income tax examinations, see IRM 4.10, Examination of Returns.

4.63.1.2
(01-18-2018)
WIIC Practice Network Overview

(1) See IRM 4.63.2, LB&I WIIC Practice Network Knowledge Management, for a detailed description of the WIIC Practice Network.

(2) The WIIC Practice Area includes the following practice networks (PNs):

a. **Foreign Entities**: The Foreign Entities PN considers how a U.S. person with ownership in a foreign entity, such as a controlled foreign corporation, a passive foreign investment company or a foreign pass-thru entity (including foreign partnerships, foreign trusts and foreign disregarded entities), may need to report their ownership and may also be subject to current U.S. tax on the income earned by that entity.
b. **Foreign Tax Credit**: The Foreign Tax Credit PN deals with how a U.S. taxpayer (U.S. citizens, resident aliens and in very rare cases nonresident aliens) can claim a foreign tax credit on their U.S. individual income tax returns.
c. **Jurisdiction to Tax – Outbound**: The Jurisdiction to Tax - Outbound PN, considers taxpayers (U.S. citizens or resident aliens) whose activities generate income that is sourced outside the United States.
d. **Offshore Arrangements**: The Offshore Arrangements PN addresses the activities of U.S. individuals (U.S. citizens and resident aliens) using offshore banking, offshore merchant accounts, foreign entities, nominees, and other arrangements and schemes to conceal income and ownership of assets to avoid or evade U.S. taxes. This Practice Network also addresses issues related to the reporting of foreign financial assets under Titles 26 and 31.
e. **U.S. Business Activities**: The U.S. Business Activities PN considers the business activities of nonresident alien (NRA) individuals. Business activities can include being engaged in a U.S. trade or business (USTB) and the income and expenses effectively connected with a USTB.
f. **Withholding**: The Withholding (WIT) PN considers situations where foreign persons engage in U.S. investment activities and the related U.S. withholding tax requirements on income from those investments. The strategic priorities of WIT PN are to collect the tax before the assets leave

the U.S. and apply to two categories of taxpayers; 1) those making payments to others (payers) and 2) those receiving payments from others (payees). The U.S. imposes these withholding taxes as a vehicle to encourage a foreign person's voluntary compliance.

4.63.1.2.1
(01-18-2018)
WIIC Work Streams

(1) WIIC work streams are generated through the practice networks in the form of campaigns or initiatives. Additionally, WIIC receives potential work streams from sources of information outside of the practice network campaign process which will be required to be considered and when appropriate, examined. Examples of these work streams would include:

a. Criminal Investigation or Department of Justice prime leads
b. Whistleblower-related compliance work
c. Deferred prosecution and non-prosecution leads
d. Spontaneous exchange leads
e. Case-related and John Doe Summons requests from treaty partners
f. Cooperating agent requests
g. Claims

4.63.1.3
(01-18-2018)
IIC Field Operations Overview

(1) International Individual Compliance (IIC) Field Operations provides complete tax administration services to U.S. taxpayers residing abroad or in U.S. territories, business entities with assets under $10 million doing business abroad, and non-U.S. citizens who have a U.S. filing requirement.

(2) IIC Field Operations include, but are not limited to, the following:

a. Territory groups comprised of revenue agents and tax compliance officers, are responsible for conducting examinations of taxpayers with international activity.
b. The Campus Compliance Unit's (CCU) primary goal is to increase coverage of international tax return filings or international tax issues reported or underreported on Form 1040, Form 1040NR and/or Form 1040 PR. The CCU also works closely with Submission Processing and Criminal Investigation to expediently address emerging schemes involving international tax returns, tax preparers, or tax issues, and supports international initiatives relative to individual taxpayers to facilitate early resolution of cases without field involvement.
c. The Offshore Voluntary Disclosure Program (OVDP) coordinates the disclosures and return filings under various offshore voluntary disclosure programs. This office plans, develops, directs and implements a comprehensive tax administration program that enhances compliance, ensures consistency in taxpayer treatment, and continuously improves business systems and processes as it relates to OVDP taxpayers. It also prepares operational plans for resource deployment to meet customer needs and ensures employees are adequately trained in international issues, accounting systems and examination techniques.

4.63.1.4
(01-18-2018)
WIIC Offshore Compliance Initiatives (OCI) Overview

(1) The Offshore Compliance Initiatives (OCI) office promotes voluntary compliance with U.S. tax and foreign information reporting laws through strategic enforcement actions directed at identifying U.S. taxpayers involved in abusive offshore tax schemes and the banks, other financial institutions and third parties that provide, facilitate or enable their offshore financial arrangements and structures. OCI also identifies abusive offshore tax schemes being used by U.S. taxpayers, conducts information gathering and data analysis activities

to identify promoters or facilitators of abusive offshore schemes for compliance activities, and participates in international forums for improving voluntary compliance, sharing best practices and leveraging resources.

4.63.1.5
(01-18-2018)
Foreign Payment Practice (FPP) Field Operations Overview

(1) The Foreign Payments Practice (FPP) is an integrated program that provides Servicewide coordination and oversight of Chapters 3 and 4 information reporting and withholding functions. FPP focuses resources through coordinated development of informational and educational material, improved forms and publications, processing capabilities and targeted compliance strategies.

4.63.1.6
(01-18-2018)
Summary - WIIC Taxpayer Population

(1) Taxpayers served by WIIC include:

- U.S. citizens living and/or working abroad or in a U.S. Territory/Possession
- U.S. citizens or resident aliens who hold income producing assets in a foreign country or claim the foreign earned income exclusion or foreign tax credit
- Foreign persons who have a U.S. filing requirement
- Related U.S. withholding agents

(2) These taxpayers file several types of forms:

Form	Title
926	Return by a U.S. Transferor of Property to a Foreign Corporation
1040	U.S. Individual Income Tax Return (with a foreign address)
1040-C	U.S. Departing Alien Income Tax Return
1040NR	U.S. Nonresident Alien Income Tax Return
1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents
1040 (PR)	Self-Employment Tax Return -Puerto Rico (in Spanish)
1040-SS	U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico)
1042	Annual Withholding Tax Return for U.S. Source Income of Foreign Persons
1042-S	Foreign Person's U.S. Source Income Subject to Withholding
1116	Foreign Tax Credit
2555	Foreign Earned Income
3520	Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts

Form	Title
3520A	Annual Information Return of Foreign Trust With a U.S. Owner
4563	Exclusion of Income for Bona Fide Residents of American Samoa
5074	Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands (CNMI)
5471	Information Return of U.S. Persons With Respect To Certain Foreign Corporations
8621	Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund
8689	Allocation of Individual Income Tax to the U.S. Virgin Islands
8833	Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)
8840	Closer Connection Exception Statement for Aliens
8854	Initial and Annual Expatriation Statement
8865	Return of U.S. Persons With Respect to Certain Foreign Partnerships
8938	Statement of Specified Foreign Financial Assets
8966	FATCA Report
FinCEN Form 114	Report of Foreign Bank and Financial Accounts

(3) Taxpayers may also have individual international tax issues associated with Form 1120-F, U.S. Income Tax Return of a Foreign Corporation; Form 1120S, U.S. Income Tax Return for an S Corporation; and Form 1065, U.S. Return of Partnership Income.