



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.63.5

AUGUST 18, 2025

EFFECTIVE DATE

(08-18-2025)

PURPOSE

- (1) This obsoletes IRM 4.63.5, Withholding and International Individual Compliance, International Penalties and Procedures – Individuals.

MATERIAL CHANGES

- (1) IRM 4.63.5, International Penalties and Procedures – Individuals, is obsolete since the policy relating to international return penalties is set by the Office of Servicewide Penalties (OSP), and is included in IRM 20.1.9, Penalty Handbook, International Penalties. The previous IRM 4.63.5.3 included only a general overview of FBAR with links to the FBAR IRMs.
- (2) IRM 20.1.9 provides policy and guidelines to be followed by all operating division employees and processing functions who address international penalties. FBAR policy and procedures are included in IRM 4.26.16, Report of Foreign Bank and Financial Accounts (FBAR) and IRM 4.26.17, Report of Foreign Bank and Financial Accounts (FBAR) Procedures.
- (3) In the previous IRM 4.63.5, each international penalty subsection (grouped by form number) linked to an IRM 20.1.9 subsection(s) (grouped by penalty IRC number). Note that each previous IRM 4.63.5 international penalty subsection had only summary information related to the form and the related IRC, then linked the reader to the related IRM 20.1.9 subsection for detailed information. Exhibit 20.1.9-1, Quick Reference Guide to International Penalties, provides a more detailed cross reference from taxpayer to form filing requirement, to IRC.
- (4) Withholding Exchange and International Individual Compliance (WEIIC) employees were the primary audience for this IRM. International Individual Compliance (IIC) examiners follow IRM 4.63.4, International Individual Compliance Examination Procedures. IRM 4.63.4 does not refer examiners to IRM 4.63.5, but to IRM 20.1.9 for international penalties. IRM 4.63.4.9.13, FBAR Statute and Authorities Overview, provides IIC examiners a FBAR overview and refers IIC examiners to the FBAR IRMs.
- (5) The only reference found to IRM 4.63.5 from another IRM was in IRM 4.63.1, Overview of the Withholding Exchange & Individual International Compliance (WEIIC) Practice Area, dated 06-11-2024. The reference was found only in the MT section under material changes. There is no mention of penalties in the IRM or in the previous revision, dated 01-18-2018. Material changes are not instructions to staff and this reference will be removed in the next revision of IRM 4.63.1.
- (6) See the table below to identify where the previous IRM 4.63.5 subsection information is located in another IRM for international penalties or FBAR:

Previous Contained in IRM 4.63.5	Included in IRM Section(s) and Subsection(s)
IRM 4.63.5.2 - Overview	<ul style="list-style-type: none">• IRM 20.1.5.7, Penalty Relief• IRM 20.1, Penalty Handbook

Previous Contained in IRM 4.63.5	Included in IRM Section(s) and Subsection(s)
IRM 4.63.5.2.1 - Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation	IRM 20.1.9.7, IRC 6038B(c) - Failure to Provide Notice of Transfers to Foreign Persons
IRM 4.63.5.2.2 - Form 1116, Foreign Tax Credit	IRM 20.1.9.19, IRC 6689 - Failure to File Notice of Foreign Tax Redetermination.
IRM 4.63.5.2.3 - Form 1118, Foreign Tax Credit - Corporations	IRM 20.1.9.19, IRC 6689 - Failure to File Notice of Foreign Tax Redetermination.
IRM 4.63.5.2.4 - Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts	<ul style="list-style-type: none"> • IRM 20.1.9.13, IRC 6677 - Failure to File Information with Respect to Certain Foreign Trusts - Form 3520 • IRM 20.1.9.10, IRC 6039F(c) - Large Gifts From Foreign Persons • IRM 20.1.9.10.1, Reporting and Filing Requirements
IRM 4.63.5.2.5 - Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner	IRM 20.1.9.14, IRC 6677(a) and (b) - Foreign Trusts With U.S. Owners - Form 3520-A
IRM 4.63.5.2.6 - Form 5074, Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands	IRM 20.1.9.18, IRC 6688 - Reporting for Residents of U.S. Possessions (U.S. Territories)
IRM 4.63.5.2.7 - Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations	<ul style="list-style-type: none"> • IRM 20.1.9.3, IRC 6038 - Information Reporting With Respect to Foreign Corporations and Partnerships • IRM 20.1.9.15, IRC 6679 - Return of U.S. Persons With Respect to Certain Foreign Corporations and Partnerships
IRM 4.63.5.2.8 - Form 5472, Information Return of a 25% Foreign Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business	IRM 20.1.9.5, IRC 6038A(d) - Information Reporting for Certain Foreign-Owned Corporations

Previous Contained in IRM 4.63.5	Included in IRM Section(s) and Subsection(s)
IRM 4.63.5.2.9 - Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)	IRM 20.1.9.20, IRC 6712 - Failure to Disclose Treaty-Based Return Position
IRM 4.63.5.2.10 - Form 8854, Initial and Annual Expatriation Statement	IRM 20.1.9.11, IRC 6039G - Expatriation Reporting Requirements
IRM 4.63.5.2.11 - Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities	IRM 20.1.9.3, IRC 6038 - Information Reporting With Respect to Foreign Corporations and Partnerships
IRM 4.63.5.2.12 - Form 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships	<ul style="list-style-type: none"> IRM 20.1.9.3, IRC 6038 - Information Reporting With Respect to Foreign Corporations and Partnership IRM 20.1.9.7, IRC 6038B(c) - Failure to Provide Notice of Transfers to Foreign Persons IRM 20.1.9.15, IRC 6679 - Return of U.S. Persons With Respect to Certain Foreign Corporations and Partnerships
IRM 4.63.5.2.13 - Form 8898, Statement for Individual Who Begin or End Bona Fide Residence in a U.S. Possession	IRM 20.1.9.18.1, Reporting and Filing Requirements
IRM 4.63.5.2.14 - Form 8938, Statement of Specified Foreign Financial Assets	IRM 20.1.9.22, IRC 6038D - Information With Respect to Specified Foreign Financial Assets
IRM 4.63.5.3 - FBAR Reporting	<ul style="list-style-type: none"> IRM 4.26.16, Report of Foreign Bank and Financial Accounts (FBAR) IRM 4.26.17, Report of Foreign Bank and Financial Accounts (FBAR) Procedures

EFFECT ON OTHER DOCUMENTS

IRM 4.63.5, Withholding and International Individual Compliance, International Penalties and Procedures – Individuals, dated 03-14-2023 is obsolete as of the date of this transmittal.

AUDIENCE

LB&I Withholding Exchange and International Individual Compliance (WEIIC) employees.

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