



News Release

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IRS AND FinCEN ANNOUNCE LATEST EFFORTS TO CRACK DOWN ON TAX AVOIDANCE THROUGH OFFSHORE ACCOUNTS

WASHINGTON – Officials of the Internal Revenue Service and the Financial Crimes Enforcement Network (FinCEN) announced today they have signed a memorandum of agreement under which FinCEN delegates its enforcement authority for Foreign Bank and Financial Account reporting to the IRS.

The agreement marks the latest step in the IRS effort to seek out people with undisclosed accounts overseas. In January, the IRS announced an initiative to encourage the voluntary disclosure of unreported income by people who have used offshore payment cards or other offshore financial arrangements improperly to avoid paying taxes. People have only until April 15, 2003 to apply for benefits of the Offshore Voluntary Compliance Initiative (OVCI).

Under the Bank Secrecy Act, U.S. residents or a person in and doing business in the United States must file a report with the U.S. Treasury if he or she has a financial account in a foreign country with a value exceeding \$10,000 at any time during the calendar year. Taxpayers comply with this law by noting the account on their tax return and by filing Form 90-22.1, the Foreign Bank and Financial Account Report (FBAR). Willfully failing to file an FBAR report can be punished under both civil and criminal law.

The FBAR penalty will be waived for taxpayers who participate in OVCI.

“This delegation of authority results from increased cooperation between the IRS and other Treasury bureaus to improve compliance with the law,” said acting Commissioner Bob Wenzel. “Our nation will benefit not only from improved compliance with the tax laws, but also our determination to make certain that those with accounts in foreign countries meet their reporting requirements.”

“Unlike other Bank Secrecy Act reports, FBARs are filed mainly by individuals and are more closely related to tax enforcement,” said FinCEN Director, James F. Sloan. “Placing oversight of FBARs with the IRS is a natural fit that should enhance compliance and enforcement.”

A provision of the USA PATRIOT Act required the Secretary of the Treasury to study methods to improve compliance with reporting requirements. Today’s agreement delegating enforcement to the IRS grows out of this effort.

For more than two years, IRS investigators have been focused on the use of

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offshore bank payment cards to avoid reporting income. This investigation continues, and agents assigned to examine income tax returns will also recommend assertion of the FBAR penalties where appropriate.

Since OVCI was announced, the IRS has already collected millions of dollars from the compliance project. Under the initiative, eligible taxpayers who step forward will not face civil fraud, information return or FBAR penalties. However, taxpayers will still have to pay back taxes, interest and certain accuracy or delinquency penalties.

To apply to OVCI, taxpayers must notify the IRS in writing and provide their name, taxpayer identification number, current address, daytime phone number and certain promoter information.

Written requests for the OVCI can be sent to the following mail addresses:

Regular Mail: National Offshore Voluntary Compliance Initiative Coordinator
 P.O. Box 480
 Bensalem, PA 19020

Overnight/
Special Delivery National Offshore Voluntary Compliance Initiative Coordinator
 11601 Roosevelt Blvd.
 Philadelphia, PA 19154
 DP S6005

Those seeking information by telephone should call: 215-516-3537 (not toll-free). In addition, a special e-mail address has been set up for taxpayers. All e-mail queries should be sent to vci@irs.gov.

Additional information on the Offshore Voluntary Compliance Initiative is available on the IRS Web site at www.irs.gov.

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