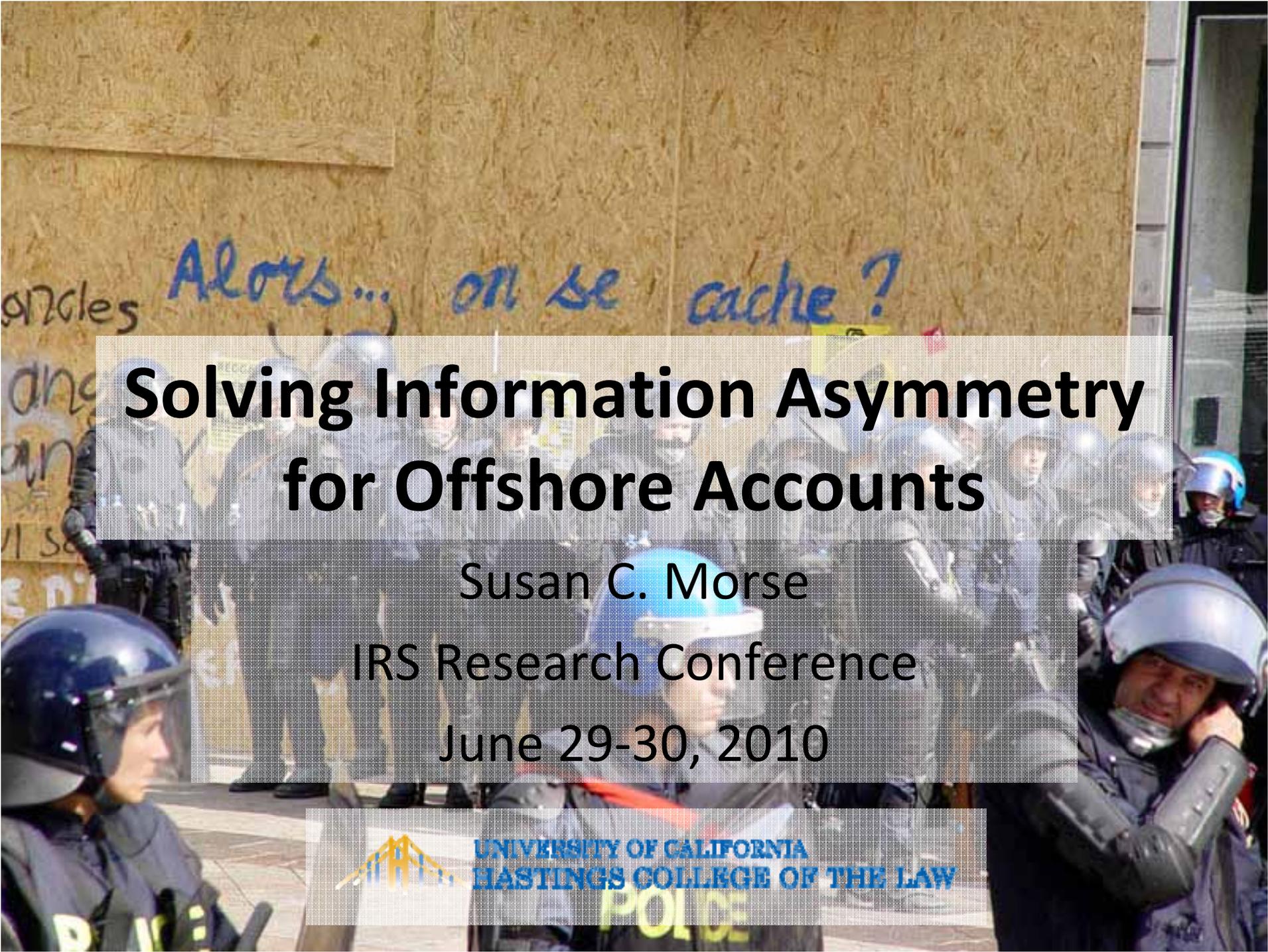

Session Two:

Influencing Individual
Taxpayer Behavior



2010 IRS Research Conference



Solving Information Asymmetry for Offshore Accounts

Susan C. Morse

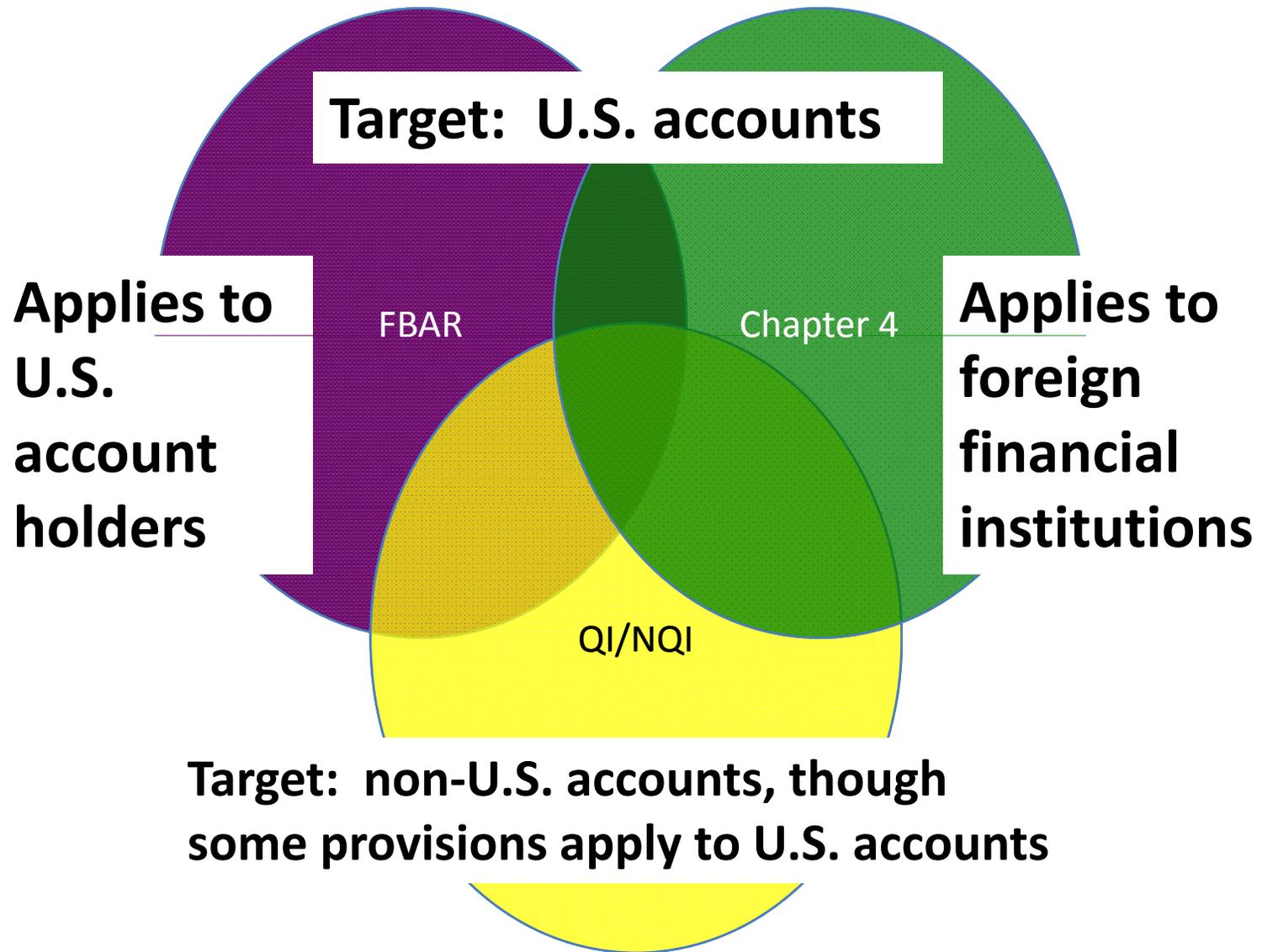
IRS Research Conference

June 29-30, 2010



UNIVERSITY OF CALIFORNIA
HASTINGS COLLEGE OF THE LAW

POLICE



“Penalty Default” Barrier



Penalties so big they would wreck the business.

**Force taxpayer
to reveal
information**

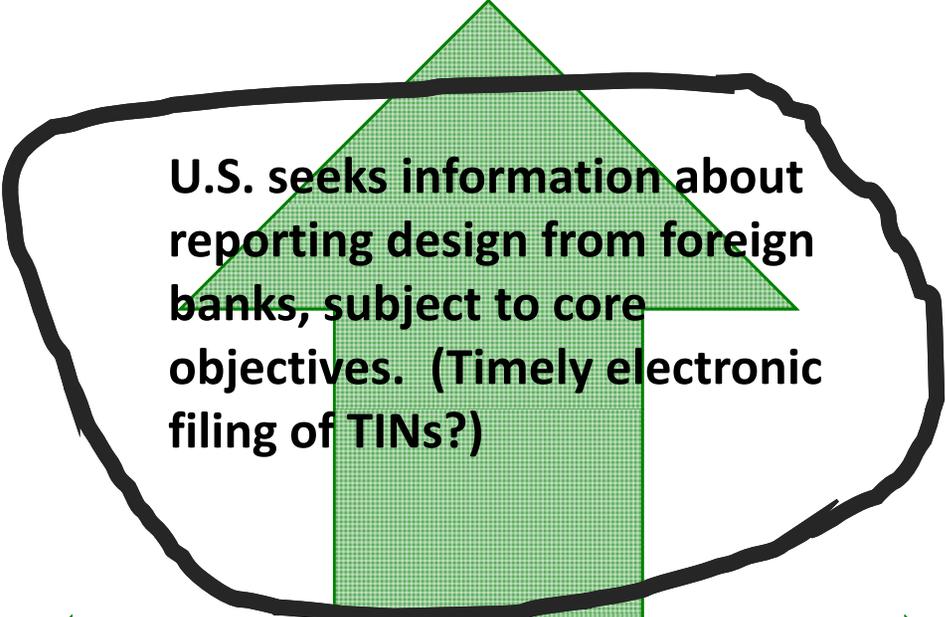
**Contract-around
solution**



Penalty Defaults in Tax Administration

- **Negotiation-based** rule Chapter 4
 - Government may negotiate with taxpayers
 - Taxpayers may provide broad range of information
- **Menu-based** rule FBAR reporting
 - Government provides choices
 - Taxpayers identify as compliant or noncompliant

Negotiation-Based Chapter 4 Options



U.S. seeks information about reporting design from foreign banks, subject to core objectives. (Timely electronic filing of TINs?)

U.S. devises §
1471
agreement
specifics.

U.S. permits
non-U.S. banks
to devise §
1471
agreements
specifics.

What § 1471 is looking for:

Form ____ (Under I.R.C. §1471(c)(1))				Year ended 12/31/____	
Name of Foreign Financial Institution (FFI) Making Report		FFI Address		FFI IRS-Assigned Identifying Number	
US account holders ⁹¹	TIN	Name	Address	Account number	Maximum annual account balance
1					
2					
3					
4					
5					

Great availability- bias-based publicity.

Noncompliers



Plus plea bargain news:
Rubinstein, Moran, Chernick,
Homann, McCarthy, Cittadini,
Robbins, Zabczuk . . .

Confusing
messaging.

Compliers

F

B

A

R

20% of account value as penalty benchmark.

Applicable to continuing voluntary disclosures?

Is lower 5% “heir” penalty a null set?

Is criminal prosecution still possible after VDP participation?

Are FBARs confidential?

Penalty default rules as information-forcing multi-tools

