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IRS Offshore Voluntary Disclosure Initiative Successful

The IRS' recently concluded Offshore Voluntary Disclosure Initiative (OVDI) was a "resounding success", according to IRS Commissioner Doug Shulman. This year's OVDI mirrored the first held two years ago, with another 15,000 taxpayers participating in the initiative. The OVDI managed to collect a total of at least \$2.7 billion in back taxes and reduced penalties. Under the OVDI, participating taxpayers are given limited amnesty from punishment when they declare their offshore taxable income and pay up all back taxes. Fines were imposed but no criminal charges will be pressed.

As a result, the Treasury Inspector General for Tax Administration (TIGTA) gave positive feedback on the OVDI in its latest report. Its report said that IRS' smooth administration of the offshore voluntary disclosure initiative "increased taxpayer compliance." These sentiments were echoed by Shulman when he said, "We are clearly bringing people back into the U.S. tax system – and we are bringing revenue into the U.S. Treasury."

The TIGTA, J. Russell George said in a statement about the OVDI, "Our report found that the IRS's voluntary disclosure practices were effective, and cases were being appropriately assigned and verified even with the unusually high volume of disclosure requests received and accepted." Indeed, the report went on to say that the true effects of the program "may not be measurable for years as the information and intelligence derived from it may spawn future criminal and civil income tax investigations of banks, financial institutions, and tax haven promoters."

The OVDI is part of an ongoing IRS effort to track offshore tax evasion. Two years ago, the IRS made a landmark capture of the banking information of more than 4,000 American taxpayers with Swiss bank accounts suspected of evading taxes. This came as a result of the investigation of UBS Bank of Switzerland. In 2009, UBS were fined and paid \$780 million to avoid criminal prosecution for their role in assisting wealthy US taxpayers hide their assets in bank accounts and other financial instruments in the bank.

As a follow-up measure, the TIGTA recommended that the IRS improve record-keeping in order to facilitate data mining used to identify trends or patterns of non-compliance. In response, the IRS said it agrees to improve its information-gathering procedures. But the IRS did not agree to another recommendation that its officers initial every page of settlement agreements to prevent fraudulent alterations of data. The agency claimed it had not come across a single incident of an altered agreement in the disclosure programs it had run so far.