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*Practice Group:*  
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## IRS, Treasury Release Proposed Foreign Account Regulations; New Rules May Provide Relief from Earlier Guidance

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The Treasury Department and the Internal Revenue Service (“IRS”) on February 8, 2012, issued proposed regulations (IRS REG-121647-10) to implement the Foreign Account Tax Compliance Act (“FATCA”).

These proposed regulations incorporate and modify previous guidance provided by the IRS on August 29, 2010 (Notice 2010-60), April 8, 2011 (Notice 2011-34), and on July 14, 2011 (Notice 2011-53).

IRS and Treasury identify the following significant modifications and additions to the guidance provided in previous FATCA notices:

- Expanded scope of “grandfathered obligations” (to obligations outstanding on January 1, 2013, rather than March 18, 2012);
- Transitional rules for affiliates with legal prohibitions on compliance;
- Additional categories of deemed-compliant foreign financial institutions;
- Modification of due diligence procedures for the identification of accounts;
- Guidance on procedures required to verify compliance;
- Refinement of the definition of financial account;
- Extension of the transition period for the scope of information reporting; and
- Passthru payments (withholding will not be required with respect to passthru payments before January 1, 2017).

IRS explained in a press release that the proposed regulations implement FATCA’s obligations in stages to minimize compliance burdens and costs. The rules and implementation schedule also are adjusted to allow time for resolving local law limitations to which some FFIs may be subject.

We will be providing a more detailed analysis in coming days. In the meantime, if you have questions, please do not hesitate to call.

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A copy of the IRS release describing the proposed regulations can be found [here](#).

A copy of the proposed regulation—titled “Regulations Relating to Information Reporting by Foreign Financial Institutions and Withholding on Certain Payments to Foreign Financial Institutions and Other Foreign Entities”—can be found [here](#).

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