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Offshore Compliance Programs Generate \$8 Billion; IRS Urges People to Take Advantage of Voluntary Disclosure Programs



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WASHINGTON — With more than 54,000 taxpayers coming in to participate in offshore disclosure programs since 2009, the Internal Revenue Service today reminded U.S. taxpayers with undisclosed offshore accounts that they should strongly consider existing paths established to come into full compliance with their federal tax obligations.

Both the [Offshore Voluntary Disclosure Program](#) (OVDP) and the [streamlined procedures](#) enable taxpayers to correct prior omissions and meet their federal tax obligations while mitigating the potential penalties of continued non-compliance. There are also [separate procedures](#) for those who have paid their income taxes but omitted certain other information returns.

“The groundbreaking effort around automatic reporting of foreign accounts has given us a much stronger hand in fighting tax evasion,” said IRS Commissioner John Koskinen. “People with undisclosed foreign accounts should carefully consider their options and use available avenues, including the offshore program and streamlined procedures, to come back into full compliance with their tax obligations.”

Under the [Foreign Account Tax Compliance Act](#) (FATCA) and the network of [intergovernmental agreements](#) (IGAs) between the U.S. and partner jurisdictions, [automatic third-party account reporting](#) began this year, making it less likely that offshore financial accounts will go unnoticed by the IRS.

In addition to FATCA and reporting through IGAs, the Department of Justice’s [Swiss Bank Program](#) continues to reach non-prosecution agreements with Swiss financial institutions that facilitated past non-compliance. As part of these agreements, banks provide information on potential non-compliance by U.S. taxpayers. Potential civil penalties increase substantially if U.S. taxpayers associated with participating banks wait to apply to OVDP to resolve their tax obligations.

OVDP offers taxpayers with undisclosed income from offshore accounts an opportunity to get current with their tax returns and information reporting obligations. The program encourages taxpayers to voluntarily disclose foreign accounts now rather than risk detection by the IRS at a later date and face more severe penalties and possible criminal prosecution.

Since OVDP began in 2009, there have been more than 54,000 disclosures. The IRS has collected more than \$8 billion from this initiative.

The streamlined procedures, initiated in 2012, were developed to accommodate a wider group of U.S. taxpayers who have unreported foreign financial accounts but whose circumstances substantially differed from those taxpayers for whom the OVDP requirements were designed. More than 30,000 taxpayers have used streamlined procedures to come back into compliance with U.S. tax laws. Two-thirds of these have used the procedures since the IRS expanded the eligibility criteria in June 2014.

Separately, based on information obtained from investigations and under the terms of settlements with foreign financial institutions, the IRS has conducted thousands of offshore-related civil audits that have produced tens of millions of dollars. The IRS has also pursued criminal charges leading to billions of dollars in criminal fines and restitutions.

The IRS remains committed to stopping offshore tax evasion wherever it occurs. Even though the IRS has faced several years of budget reductions, the agency continues to pursue cases in all parts of the world.

