



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.63.3

APRIL 21, 2025

EFFECTIVE DATE

(04-21-2025)

PURPOSE

- (1) This transmits revised IRM 4.63.3, Withholding and International Individual Compliance, Offshore Voluntary Disclosure Program, Streamlined Filing Compliance Procedures and Voluntary Disclosure Practice.

MATERIAL CHANGES

- (1) IRM 4.63.3.1(1): Updated paragraph from Offshore Voluntary Disclosure Program (OVDP) to Purpose to follow guidelines in IRM 1.11.2.2.4, Address Management and Internal Controls. Also, replaced the focus on OVDP to Voluntary Disclosure Practice (VDP) since the OVDP is closed.
- (2) IRM 4.63.3.1(3): Added to the Policy office in addition to the Director, WEIC, as policy owner.
- (3) IRM 4.63.3.1(4): Updated program owners to the Director of Field Operations (DFO) for International Individual Compliance (IIC).
- (4) IRM 4.63.3.1(5): Updated Stakeholder to Primary Stakeholders to follow guidelines in IRM 1.11.2.2.4, Address Management and Internal Controls.
- (5) IRM 4.63.3.1(6): Added contact information for this IRM section.
- (6) IRM 4.63.3.1.1: Moved OVDP information from Background to new subsection below and replaced with an introduction to the background for the programs in this IRM.
- (7) IRM 4.63.3.1.1.1: Added the OVDP background information from IRM 4.63.3.1.1 in this new subsection to better show each program.
- (8) IRM 4.63.3.1.1.2: Updated Streamlined Procedures background wording for clarity. Also added "Streamline Procedures" to the title since it is used throughout.
- (9) IRM 4.63.3.1.1.3: Added VDP to the title for consistency.
- (10) IRM 4.63.3.1.1.3(3): Added statement that VDP is a mandatory workstream.
- (11) IRM 4.63.3.1.1.3(5): Moved single list item to a new paragraph (5). The single list items were not needed.
- (12) IRM 4.63.3.1.2: Removed references to an expired 2018 IGM and added authority references.
- (13) IRM 4.63.3.1.3: Updated responsibilities to add each level from director to employees.
- (14) IRM 4.63.3.1.4: Updated the second bullet list in (1) for parallel structure. Moved program control information to a new Program Controls subsection below. Also, replaced Annual Review with Program Effectiveness to match guidelines.
- (15) IRM 4.63.3.1.5: Added new Program Controls subsection as required by IRM 1.11.2.2.4. Moved the program control information from Program Management and Review above and updated the Voluntary Disclosure Practice Control Log name to the Voluntary Disclosure Practice SharePoint List to show the move to SharePoint from maintaining the list.

- (16) IRM 4.63.3.1.6: Added definition for VDP analyst and updated acronyms table by removing ACU, CC, CL, FTA, FADI, and IRSN. Also, added IIR, L&A, LB&I, MOP, PSP, SB/SE, VDP, and WEIIC to the table.
- (17) IRM 4.63.3.1.7: Updated title to just Related Resources and moved OVDP information to IRM 4.63.3.1.7.1. Replaced with a summary of prior IRM 4.63.3.1.7 - Related Resources - Taxpayer Rights, and a statement that related resources for each program is listed below.
- (18) IRM 4.63.3.1.7.1: Moved OVDP information from above to a note after paragraph (4).
- (19) IRM 4.63.3.2: Added information about additional international information returns that may be required and deleted FBAR information that was no longer needed.
- (20) IRM 4.63.3.3: Updated title to include OVDP to better identify the program.
- (21) IRM 4.63.3.4: Updated title to include OVDP to better identify the program.
- (22) IRM 4.63.3.6: Updated title to include OVDP to better identify the program.
- (23) IRM 4.63.3.7: Updated title to include OVDP to better identify the program.
- (24) IRM 4.63.3.11: Added the location of pro forma Form 2848 for OVDP on IRS.gov.
- (25) IRM 4.63.3.13: Added CSDC and removed the city name. Also added VDP as a program the hotline also handles.
- (26) IRM 4.63.3.14: Added OVDP to the title and made OVDP Statutes and Extensions its own subsection. This subsection was the only subsection from prior grouping not obsolete since the OVDP is now closed.
- (27) IRM 4.63.3.15: Added detail on what is included in an Opt Out/Removal package, committee approval, and becoming a regular exam.
- (28) IRM 4.63.3.16: Updated title to remove “Commonly Used” and “OVDP”. Removed all letters and forms from the list that are either obsolete or no longer used.
- (29) IRM 4.63.3.17: Updated title to Streamlined Procedures from Streamlined Filing Compliance Procedures since the program is referred to as streamlined procedures throughout.
- (30) IRM 4.63.3.17.1: Updated title to replace W&I with Taxpayer Services. Also updated IRM references and IRM names in table.
- (31) IRM 4.63.3.17.2: Updated subsection title for parallel structure to IRM 4.63.3.17.1.
- (32) IRM 4.63.3.17.2.1: Reworded the scenarios for clarity by changing “Only delinquent” or “Only amended” to “All required” and moving one prior scenario to a note. Also, removed a step that is no longer completed.
- (33) IRM 4.63.3.17.2.2: Updated subsection to show current procedures and updated tasks to “assigned personnel” since some of the position names have changed or are no longer used. Also removed “Filing Compliance” from the title to match above.
- (34) IRM 4.63.3.17.2.3: Updated the title to show the move to SharePoint. Removed first paragraph, which was no longer needed, and updated tasks to personnel assigned to reflect current processes with the move to SharePoint from an Excel spreadsheet.

- (35) IRM 4.63.3.17.2.3.1: Updated to reflect the change from logging into Excel spreadsheets, to inputting into the Streamlined Certification SharePoint. Also, several items in the bullet list to a note, reminder, and updated items for SharePoint site.
- (36) IRM 4.63.3.17.2.3.2: Updated to show “assigned personnel” now complete this task as position title may vary and deleted repeated information. Also, updated wording on bullet list for clarity.
- (37) IRM 4.63.3.18: Updated subsection title to remove (Post OVDP) and replaced with (VDP).
- (38) IRM 4.63.3.18.1(1): Added note to provide instructions for related entities. Updated a single bullet and made a reminder. Also, added another note to address related entities must be selected on the VDP application form to be eligible for VDP terms.
- (39) IRM 4.63.3.18.1(4): Added additional items included in VDP cooperation and to better identify Title 26 taxes and add Title 31 penalties. Added note to see collection considerations if other than full payment.
- (40) IRM 4.63.3.18.1(5): Added note that taxpayers must comply with US laws for tax period and, if not, it may result in revocation.
- (41) IRM 4.63.3.18.1(7): Added new statement that the taxpayer may exercise appeal rights if preliminary acceptance into VDP is revoked.
- (42) IRM 4.63.3.18.2(10): New paragraph on managerial penalty approval.
- (43) IRM 4.63.3.18.2(11): New paragraph on FBAR examination and the approvals required for FBAR penalties.
- (44) IRM 4.63.3.18.2.1: Moved exception from prior version to new subsection.
- (45) IRM 4.63.3.18.3(1): Added an example on estimating the disclosure period under paragraph.
- (46) IRM 4.63.3.18.3(2): Added reminder that stated and actual disclosure period may be different, and examiner must check. Also added a note that income tax FBAR disclosure may not align but rarely.
- (47) IRM 4.63.3.18.3(3): Updated the list to a numbered step list.
- (48) IRM 4.63.3.18.3(4): Updated years in the examples to more recent years. Also updated wording for clarity and split a Note into a Note and a Reminder.
- (49) IRM 4.63.3.18.4: Removed note that duplicated information just above it.
- (50) IRM 4.63.3.18.5: Removed the old email and phone numbers.
- (51) IRM 4.63.3.18.6: Updated title to remove Six Stages. Moved FBAR step for filing from Note to a new paragraph. Moved instructions for the TP to provide a complete package to the assigned field examiner to after the examiner is assigned. Also added that examiners will follow related return pick-up procedures.
- (52) IRM 4.63.3.18.7: Moved information in a note down to a new paragraph and added steps for readability and clarity.
- (53) IRM 4.63.3.18.8: Updated wording for clarity by combining 2 paragraphs to show original delinquent and amended returns provided in the same paragraph. Also moved information to a caution to use only Form 4549-A with Form 906.

- (54) IRM 4.63.3.18.9: Added information that TPs cannot request revocation. Updated plural taxpayers to singular in paragraph 3 and 4 since both are discussing an example. Also added steps for the examiner if preliminary acceptance is revoked.
- (55) IRM 4.63.3.18.10: Updated payment instructions for prior and after case assignment for after CI grants preliminary acceptance to VDP.
- (56) IRM 4.63.3.18.11: Updates to show now all non-full pay VDP cases require a referral to collections and how to make the referral outside of SRS. Added note that all collection consideration includes both Title 26 and Title 31 liabilities for all years. Also, added information on signature requirements on closing agreements with added information on joint returns and what to do if only one spouse signs the agreement. In addition, a reminder was added stating that the taxpayer has the burden to establish inability to pay outstanding federal tax liabilities in full.
- (57) IRM 4.63.3.18.12: Removed references for three originally signed paper copies of Form 906 and updated for digital signature. Added IRM references for electronically submitted signatures.
- (58) IRM 4.63.3.18.13.1: Moved information in note with bullets to paragraphs. Removed instructions listed in the paragraph copied from an IRM already linked to for instructions.
- (59) IRM 4.63.3.18.13.1.1: Updated items list included in a FBAR pre-review package and made updates to the process for approval prior to issuance to the taxpayer.
- (60) IRM 4.63.3.18.13.2: Updated note regarding transition tax and a second note regarding taxpayers that own CFCs.
- (61) IRM 4.63.3.18.14.2: Added the current VDP penalty framework for employment tax, including examples.
- (62) Editorial changes were made throughout, including reviewing and updating website addresses, IRM references, and subsection titles.
- (63) Prior IRM 4.63.3 subsections and exhibits in the table below were determined to be obsolete and removed in this update.

Prior IRM Subsections/Exhibits Removed
IRM 4.63.3.1.1.2 - OVDP Transition
IRM 4.63.3.1.6.3 - OVDP Transition
IRM 4.63.3.1.7 - Related Resources - Taxpayer Rights
IRM 4.63.3.3 - Other Information Returns
IRM 4.63.3.10 - Eligibility for OVDP
IRM 4.63.3.11 - The OVDP Process
IRM 4.63.3.12 - Submission Requirements
IRM 4.63.3.12.1 - Extensions
IRM 4.63.3.12.2 - Digital Submissions
IRM 4.63.3.18 - Overview of the OVDP Case File Development Process
IRM 4.63.3.18.1 - Making an Offshore Voluntary Disclosure

Prior IRM Subsections/Exhibits Removed
IRM 4.63.3.18.2 - Establishing the OVDP Case File
IRM 4.63.3.19 - OVDP Case Building
IRM 4.63.3.19.1 - Mail Processing
IRM 4.63.3.19.2 - Identification and IDRS Update of Statute Extensions
IRM 4.63.3.19.3 - Identification of Domestic vs. International Cases
IRM 4.63.3.19.4 - Controlling Multiple Years for International Cases
IRM 4.63.3.19.5 - ASED Determination
IRM 4.63.3.19.6 - YY Memos
IRM 4.63.3.19.7 - OVDP Statute Protection
IRM 4.63.3.19.7.2 - Statute Sweep Procedures
IRM 4.63.3.19.7.3 - Quick Assessment Procedures
IRM 4.63.3.19.7.4 - Unprocessed Forms 1040
IRM 4.63.3.19.8 - Correspondence for Missing Documents
IRM 4.63.3.19.8.1 - Case Shipment Preparation
IRM 4.63.3.19.9 - Case Shipments to the Field
IRM 4.63.3.20 - Quiet Disclosures
IRM 4.63.3.22 - FinCEN Requests from the Field Exam Groups
IRM 4.63.3.24.2.1.1 - ASED for Form 1040 Submission Packages
IRM 4.63.3.24.2.1.2 - ASED for Form 1040X Submission Packages
IRM 4.63.3.24.2.1.3 - ASED for Form 1041 Submission Packages
IRM 4.63.3.24.2.2.1 - Correspondence for Streamlined Filing Compliance Procedures – Steps for Tax Examiners
IRM 4.63.3.24.2.2.2 - Correspondence for Streamlined Filing Compliance Procedures - Steps for Correspondence Coordinator
IRM 4.63.3.24.2.2.2.1 - Compiling Logs
IRM 4.63.3.24.2.2.2.2 - Manage Correspondence in Suspense
IRM 4.63.3.24.2.2.3 - Miscellaneous Correspondence
IRM 4.63.3.24.2.2.4 - Separated Submission
IRM 4.63.3.24.2.2.5 - 2012 Streamlined Filing Compliance Procedures Questionnaire
IRM 4.63.3.24.2.2.6 - Follow-Up
IRM 4.63.3.24.2.3.2 - Logging Certifications – Master Spreadsheet
IRM 4.63.3.24.2.3.4 - Removing Certification from the Files

Prior IRM Subsections/Exhibits Removed
IRM 4.63.3.25 - OVDP Transition
Exhibit 4.63.3-1 - Indexing
Exhibit 4.63.3-2 - File Completion
Exhibit 4.63.3-3 - Establishing AIMS/ERCS Control
Exhibit 4.63.3-4 - Incoming Mail Procedures
Exhibit 4.63.3-5 - Outgoing Mail Procedures
Exhibit 4.63.3-6 - Controlling Multiple Years for International Cases
Exhibit 4.63.3-7 - Instructions for Completing Form 2859
Exhibit 4.63.3-8 - Quiet Disclosure Review Process
Exhibit 4.63.3-9 - Streamlined Filing Compliance Procedures – Steps for Tax Examiners
Exhibit 4.63.3-10 - How to Log Correspondence

(64) Subsection numbering change updates are listed below:

Prior IRM Cite and Title	New IRM Cite and Title
IRM 4.63.3.1.1.1 - Streamlined Filing Compliance Procedures	IRM 4.63.3.1.1.2 - Streamlined Filing Compliance Procedures (Streamlined Procedures)
IRM 4.63.3.1.5 - Terms/Definitions/Acronyms	IRM 4.63.3.1.6 - Terms and Acronyms
IRM 4.63.3.1.6 - Related Resources - Frequently Asked Questions	IRM 4.63.3.1.7 - Related Resources
IRM 4.63.3.1.6.1 - OVDP – Frequently Asked Questions	IRM 4.63.3.1.7.1 - Offshore Voluntary Disclosure Program FAQs
IRM 4.63.3.1.6.2 - Streamlined Procedures	IRM 4.63.3.1.7.2 - Streamlined Procedures FAQs
IRM 4.63.3.1.6.4 - Voluntary Disclosure Practice	IRM 4.63.3.1.7.3 - Voluntary Disclosure Practice
IRM 4.63.3.4 - Criminal Penalties	IRM 4.63.3.3 - OVDP Criminal Penalties
IRM 4.63.3.5 - Program Requirements	IRM 4.63.3.4 - OVDP Program Requirements
IRM 4.63.3.6 - Foreign Financial Institutions or Facilitators Under Investigation	IRM 4.63.3.5 - Foreign Financial Institutions or Facilitators Under Investigation

Prior IRM Cite and Title	New IRM Cite and Title
IRM 4.63.3.7 - Penalty Framework	IRM 4.63.3.6 - OVDP Penalty Framework
IRM 4.63.3.8 - Disclosure Period	IRM 4.63.3.7 - OVDP Disclosure Period
IRM 4.63.3.9 - PFIC Issues	IRM 4.63.3.8 - Passive Foreign Investment Company (PFIC) Issues
IRM 4.63.3.13 - Calculating the Offshore Penalty	IRM 4.63.3.9 - Calculating the Offshore Penalty
IRM 4.63.3.14 - FBAR Questions	IRM 4.63.3.10 - FBAR Questions
IRM 4.63.3.15 - Taxpayer Representatives	IRM 4.63.3.11 - Taxpayer Representatives
IRM 4.63.3.16 - Case Resolution	IRM 4.63.3.12 - Case Resolution
IRM 4.63.3.17 - The OVDP Hotline	IRM 4.63.3.13 - The OVDP Hotline
IRM 4.63.3.19.7.1 - Statutes and Extensions	IRM 4.63.3.14 - OVDP Statutes and Extensions
IRM 4.63.3.21 - Opt-Out and Removal	IRM 4.63.3.15 - Opt Out and Removal
IRM 4.63.3.23 - Commonly Used OVDP Forms and Letters	IRM 4.63.3.16 - Forms for Streamlined Procedures
IRM 4.63.3.24 - Streamlined Filing Compliance Procedures	IRM 4.63.3.17 - Streamlined Procedures
IRM 4.63.3.24.1 - Streamlined Filing Compliance Procedures – W&I Processing	IRM 4.63.3.17.1 - Streamlined Procedures – Taxpayer Services Processing
IRM 4.63.3.24.2 - Large Business and International Processing (CSDC Unit)	IRM 4.63.3.17.2 - Streamlined Procedures - LB&I Processing (CSDC)
IRM 4.63.3.24.2.1 - Determining ASED for Streamlined Cases	IRM 4.63.3.17.2.1 - Determining ASED for Streamlined Cases
IRM 4.63.3.24.2.2 - Correspondence for Streamlined Filing Compliance Procedures	IRM 4.63.3.17.2.2 - Correspondence for Streamlined Procedures
IRM 4.63.3.24.2.3 - Streamlined Certifications Excel Spreadsheet	IRM 4.63.3.17.2.3 - Streamlined Certification SharePoint
IRM 4.63.3.24.2.3.1 - Logging Certifications – Individual Spreadsheets	IRM 4.63.3.17.2.3.1 - Inputting Certifications – Streamlined Certification SharePoint

Prior IRM Cite and Title	New IRM Cite and Title
IRM 4.63.3.24.2.3.3 - Filing Certifications	IRM 4.63.3.17.2.3.2 - Filing Certifications
IRM 4.63.3.26 - Voluntary Disclosure Practice (Post OVDP)	IRM 4.63.3.18 - Voluntary Disclosure Practice (VDP)
IRM 4.63.3.26.1 - Voluntary Disclosure Practice Requirements	IRM 4.63.3.18.1 - VDP Requirements
IRM 4.63.3.26.10 - Payments Prior to Case Assignment	IRM 4.63.3.18.10 - Payments Prior to Case Assignment
IRM 4.63.3.26.11 - Collection Considerations	IRM 4.63.3.18.11 - Collection Considerations
IRM 4.63.3.26.12 - Form 906 Closing Agreement - Review and Approval Process	IRM 4.63.3.18.12 - Form 906 Closing Agreement - Review and Approval Process
IRM 4.63.3.26.13 - International Aspects - Foreign Financial Accounts	IRM 4.63.3.18.13 - International Aspects - Foreign Financial Accounts
IRM 4.63.3.26.13.1 - FBAR	IRM 4.63.3.18.13.1 - FBAR
IRM 4.63.3.26.13.1.1 - FBAR Closing Agreements Drafting, Review and Case Closing Process	IRM 4.63.3.18.13.1.1 - FBAR Agreements - Drafting, Review, and Case Closing Process
IRM 4.63.3.26.13.2 - Other International Information Returns	IRM 4.63.3.18.13.2 - Other International Information Returns (IIRs)
IRM 4.63.3.26.14 - Other Specialty Issues (Estate and Gift, Excise Tax, Employment Tax, Tax Exempt-Government Entities)	IRM 4.63.3.18.14 - Other Specialty Issues (Estate and Gift, Employment Tax, Excise Tax, and Tax Exempt/Government Entities)
IRM 4.63.3.26.14.1 - Estate and Gift – Voluntary Disclosure Practice Penalty Framework	IRM 4.63.3.18.14.1 - Estate and Gift – VDP Penalty Framework
IRM 4.63.3.26.14.1.1 - Gift Tax and Generation-Skipping Transfer Tax Penalties	IRM 4.63.3.18.14.1.1 - Gift Tax and Generation-Skipping Transfer Tax Penalties
IRM 4.63.3.26.14.2 - Employment Tax – Voluntary Disclosure Practice Penalty Framework	IRM 4.63.3.18.14.2 - Employment Tax – VDP Penalty Framework
IRM 4.63.3.26.14.3 - Excise Tax – Voluntary Disclosure Practice Penalty Framework	IRM 4.63.3.18.14.3 - Excise Tax – VDP Penalty Framework

Prior IRM Cite and Title	New IRM Cite and Title
IRM 4.63.3.26.14.4 - Tax Exempt-Government Entities – Voluntary Disclosure Practice Penalty Framework	IRM 4.63.3.18.14.4 - Tax Exempt/Government Entities – VDP Penalty Framework
IRM 4.63.3.26.2 - Penalty Framework	IRM 4.63.3.18.2 - Penalty Framework
IRM 4.63.3.26.3 - Disclosure Period	IRM 4.63.3.18.3 - Disclosure Period
IRM 4.63.3.26.4 - Taxpayer Representatives	IRM 4.63.3.18.4 - Taxpayer Representatives
IRM 4.63.3.26.5 - The Voluntary Disclosure Practice Hotline	IRM 4.63.3.18.5 - The VDP Hotline
IRM 4.63.3.26.6 - Overview of the Voluntary Disclosure Case Development Process (Six Stages)	IRM 4.63.3.18.6 - Overview of the Voluntary Disclosure Case Development Process
IRM 4.63.3.26.7 - ASED Determination and Protection	IRM 4.63.3.18.7 - ASED Determination and Protection
IRM 4.63.3.26.8 - Unprocessed Taxable Returns (Forms 1040 and 1120) – Delinquent and Amended	IRM 4.63.3.18.8 - Unprocessed Taxable Returns (Forms 1040 and 1120) – Delinquent and Amended
IRM 4.63.3.26.9 - Revocation Procedures	IRM 4.63.3.18.9 - Revocation Procedures
Exhibit 4.63.3-11 - Voluntary Disclosure Practice Flow Chart Revocation Process	Exhibit 4.63.3-1 Voluntary Disclosure Practice Flow Chart Revocation Process

EFFECT ON OTHER DOCUMENTS

IRM 4.63.3 dated April 27, 2021 is superseded.

AUDIENCE

The primary users of this IRM are LB&I WEIIC and SB/SE examiners.

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4.63.3

Offshore Voluntary Disclosure Program, Streamlined Filing Compliance Procedures and Voluntary Disclosure Practice

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Exhibits

- 4.63.3-1 Voluntary Disclosure Practice Flow Chart Revocation Process

4.63.3.1 (04-21-2025) Program Scope and Objective

- (1) **Purpose:** Criminal Investigation's Voluntary Disclosure Practice (VDP), IRM 9.5.11.9 , Voluntary Disclosure Practice, offers U.S. taxpayers with criminal exposure a compliance avenue to resolve income tax liabilities and various tax information reporting obligations. VDP provides protection from criminal prosecution and uniform civil penalty structure for taxpayers who voluntarily come forward to report their noncompliance and satisfy the program's requirements. Once accepted into VDP, Criminal Investigation (CI) refers the disclosure to civil for examination.
- (2) **Audience:** The intended audience is IRS employees in all operating divisions who are responsible for ensuring compliance with the reporting and record keeping requirements of domestic and offshore income, deductions, and investments, including, but not limited to, the Report of Foreign Bank and Financial Accounts (FBAR), Employment Tax, Estate and Gift, and Tax-Exempt/Government Entities. It can be referenced by all campus, field compliance personnel, especially in LB&I Withholding, Exchange and International Individual Compliance (WEIIC), and SB/SE examination assigned or involved with Offshore Voluntary Disclosure Program (OVDP) certifications, Streamlined Filing Compliance Procedures (Streamlined Procedures) processing, and VDP examinations.
- (3) **Policy Owner:** LB&I Policy under the Strategy, Policy and Governance office in the Assistant Deputy Commissioner Compliance Integration (ADCCI) organization and the Director of WEIIC Practice Area.
- (4) **Program Owner:** The Director of Field Operations (DFO), International Individual Compliance (IIC), provides oversight for IIC examinations and to the Compliance Support, Development & Communication (CSDC) unit.
- (5) **Primary Stakeholders:** LB&I WEIIC field examiners, SB/SE field examiners, and CSDC employees over OVDP and streamlined procedures are the primary stakeholders of this IRM.
- (6) **Contact Information:** To recommend changes or to make any other suggestions to this IRM section, contact the IRM author or see SPDER's IMD Contacts List by referencing guidelines provided in IRM 1.11.6.5, Providing Feedback About an IRM Section - Outside of Clearance. A request or inquiry can also be made on the *LB&I Policy Gateway*.

4.63.3.1.1 (04-21-2025) Background

- (1) There are 3 programs included in this IRM. Background for each program is listed below.

4.63.3.1.1.1 (04-21-2025) Offshore Voluntary Disclosure Program

- (1) To date, four separate offshore voluntary disclosure programs have been offered and are now closed. These programs are:

- 2009 Offshore Voluntary Disclosure Program (OVDP)
- 2011 Offshore Voluntary Disclosure Initiative (OVDI)
- 2012 Offshore Voluntary Disclosure Program (OVDP)
- 2014 Offshore Voluntary Disclosure Program (OVDP)

Note: The final iteration of OVDP, generally referred to as the 2014 OVDP was technically a continuation of the 2012 OVDP with sig-

4.63 Withholding and International Individual Compliance

nificant modifications. The 2014 OVDP became effective July 1, 2014, and terminated on September 28, 2018.

- (2) General and historical information for the various OVDP programs is available on the *OVDP Landing page* on IRS.gov. Detailed program information can be found in the *2014 OVDP Frequently Asked Questions (FAQs) and Answers*. For details on the OVDP closing, see *Closing the 2014 OVDP FAQs*. IRM 4.63.3.1.7.1, Offshore Voluntary Disclosure Program (OVDP) FAQs, has additional information on OVDP FAQs.

4.63.3.1.1.2 (04-21-2025) **Streamlined Filing Compliance Procedures (Streamlined Procedures)**

- (1) Streamlined procedures became available beginning September 2012, and were significantly expanded effective July 1, 2014. These procedures accommodate taxpayers with non-willful conduct who do not need the protection from criminal prosecution offered by OVDP or VDP. Streamlined procedures were approved by the Commissioner and can be changed or terminated at any time.
- (2) The *Streamlined Filing Compliance Procedures* landing page describes the streamlined procedures in detail. The streamlined procedures are further broken into two categories: Streamlined Foreign Offshore (SFO) procedures and Streamlined Domestic Offshore (SDO) procedures.

4.63.3.1.1.3 (04-21-2025) **Voluntary Disclosure Practice (VDP)**

- (1) VDP is a long-standing practice of IRS CI providing taxpayers with criminal exposure for tax and tax-related crimes a means to come into compliance with the law and potentially avoid criminal prosecution (see IRM 9.5.11.9, Voluntary Disclosure Practice). CI takes timely, accurate, and complete voluntary disclosures under consideration when determining whether to recommend criminal prosecution. A voluntary disclosure will not automatically guarantee immunity from prosecution but may result in prosecution not being recommended. A timely voluntary disclosure may also mitigate exposure to civil penalties.
- (2) For all voluntary disclosures received after September 28, 2018, the IRS applies a civil resolution framework. Civil penalty mitigation occurs by focusing on a specific disclosure period (see IRM 4.63.3.18.3, Disclosure Period) and defined penalty structure (see IRM 4.63.3.18.2, Penalty Framework). During the civil examination of a voluntary disclosure, in rare cases, deviation from the defined penalty structure may be considered based on all relevant facts and circumstances including prompt and full cooperation (see IRM 4.63.3.18.2.1, Penalty Deviation). Managers must ensure that penalties are applied consistently, fully developed, and documented in all cases.
- (3) Unlike OVDP certifications, taxpayers participating in VDP are subject to standard examination procedures. VDP is a mandatory workstream and may not be surveyed (see IRM 4.1.1.6.17.1(7), Voluntary Disclosure Practice - Case Building and Assignment).
- (4) VDP is described on the *IRS Criminal Investigation VDP* page on IRS.gov.
- (5) IRM 9.5.11.9, Voluntary Disclosure Practice, explains the broad terms and authority of VDP.
- (6) Field examiner resources for VDP examinations are available on the *VDP SharePoint*. The site includes the examiner guide, templates, referral forms, and VDP analyst contact information.

4.63.3.1.2 (04-21-2025)

Authority

- (1) The IRS is organized to carry out the responsibilities of the Secretary of the Treasury under IRC 7801, Authority of Department of The Treasury. The Secretary has full authority to administer and enforce the internal revenue laws and has the power to create an agency to enforce these laws. The IRS was created based on this legislative grant.
- (2) IRC 7803, Commissioner of Internal Revenue; Other Officials, provides for the appointment of a Commissioner of Internal Revenue to administer and supervise the execution and application of the internal revenue laws.
- (3) *Delegation Order 1-23 (Rev. 1)*, Authorization to Perform Functions of the Commissioner, division commissioners may delegate to officers under their supervision certain authorities on matters under their jurisdiction and cases under their responsibility.

4.63.3.1.3 (04-21-2025)

Responsibilities

- (1) The Director, WEIIC, is responsible for the policies and procedures in this IRM section.
- (2) The DFO, IIC, provides oversight for IIC examinations and to the CSDC unit regarding the information in this IRM.
- (3) Program managers over IIC examination groups are responsible for providing oversight and administration for the examination related procedures in this IRM. The program manager supervises frontline managers and operation staff.
- (4) The program manager over CSDC is responsible for providing oversight and administration for the CSDC related procedures in this IRM. The program manager supervises frontline managers and operation staff.
- (5) Group managers over examination groups are responsible for monitoring and overseeing work of their examiners. Group managers are responsible for the examination related procedures outlined in this IRM.
- (6) Group managers for the groups in CSDC are responsible for monitoring and overseeing work of their examiners and employees. Group managers are responsible for the CSDC related procedures outlined in this IRM.
- (7) Examiners are responsible for making determinations following requirements for OVDP and VDP for assigned cases in these programs as well as other requirements outlined in this IRM.
- (8) Examiners and employees of CSDC are responsible for timely completion of assigned work for the CSDC programs outlined in this IRM.

4.63.3.1.4 (04-21-2025)

Program Management and Review

- (1) **Program Reports:** The Director, WEIIC prepares periodic briefing reports for the LB&I division commissioner focusing on:
 - Significant accomplishments and opportunities for improvement
 - Implemented changes in programs
 - Identifying future improvements
- (2) **Program Effectiveness:** Operational and program reviews are conducted as needed.

4.63.3.1.5
(04-21-2025)

Program Controls

- (1) The OVDP team maintains an “OVDP Active Cases Management Report” that includes the number of active cases in OVDP at any given time as well as the number of cases that have been shipped to the field for certification.
- (2) Streamlined procedures – no reports are currently prepared.
- (3) The LB&I:WEIIC:CSDC maintains the “Voluntary Disclosure Practice SharePoint List” that includes the number of disclosures received from CI and the number of cases that have been shipped to Planning and Special Programs (PSP) for field examination.

4.63.3.1.6
(04-21-2025)

Terms and Acronyms

- (1) The follow term appears throughout this IRM section:
 - **Voluntary Disclosure Practice (VDP) Analyst:** Designated point of contact(s) assigned by the business unit and identified on the *VDP SharePoint*.
- (2) The following is a list of frequently used acronyms in this program:

Acronym	Term
ADCCI	Assistant Deputy Commissioner Compliance Integration
ASED	Assessment Statute Expiration Date
BSA	Bank Secrecy Act
CI	Criminal Investigation
COIC	Centralized Offer in Compromise
CSDC	Compliance Support, Development & Communication
CTR	Currency Transaction Reports
EGC	Employee Group Code
ET	Examination Technician
FAQ	Frequently Asked Question
FBAR	Report of Foreign Bank and Financial Accounts
FEA	Fraud Enforcement Advisor
FinCEN	Financial Crimes Enforcement Network
GM	Group Manager
IDRS	Integrated Data Retrieval System
ICT	Image Control Team
IMF	Individual Master File
IIR	International Information Return
IRC	Internal Revenue Code
L&A	Litigation and Advisory

Acronym	Term
LB&I	Large Business and International
MOP	Miscellaneous Offshore Penalty
OIC	Offer in Compromise
OVDP	Offshore Voluntary Disclosure Program
PFIC	Passive Foreign Investment Company
PSP	Planning and Special Programs
RA	Revenue Agent
RGS	Report Generation System
RSM	Related Statute Memorandum
SB/SE	Small Business/Self-Employed
SDO	Streamlined Domestic Offshore
SFO	Streamlined Foreign Offshore
SFR	Substitute for Return
TE	Tax Examiner
TM	Territory Manager
VDP	Voluntary Disclosure Practice
WEIIC	Withholding, Exchange and Individual International Compliance

4.63.3.1.7
(04-21-2025)

Related Resources

- (1) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. See the *TBOR* website for additional information.

Note: IRS-CI's determinations, including but not limited to determinations concerning timeliness, completeness, truthfulness, rejection, and revocation decisions, are not subject to any administrative or judicial review or appeal process. See IRM 9.5.11.9, Voluntary Disclosure Practice, for additional information.

- (2) Taxpayers have the right to receive assistance from the Taxpayer Advocate Service (TAS). TAS is an independent organization within the IRS, led by the National Taxpayer Advocate, that helps taxpayers and protects taxpayer rights. Refer taxpayers to *TAS* website when the contact meets TAS criteria (See IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria).
- (3) Related resources for each of the 3 programs included in this IRM are listed below.

4.63.3.1.7.1
(04-21-2025)

**Offshore Voluntary
Disclosure Program
(OVDP) FAQs**

- (1) The 2014 OVDP FAQs are divided into different sections relating to different aspects of the program. For the modified FAQs related to OVDP submissions made on or after July 1, 2014, the sections are as follows:
 - FAQs 1 - 6: General Program
 - FAQs 7 - 11: Key Features of Program
 - FAQs 12 - 21: Eligibility for the Program
 - FAQs 22 - 30: OVDP Process
 - FAQs 31 - 41: Calculating the Offshore Penalty
 - FAQs 42 - 43: Statute of Limitations
 - FAQs 44 - 46: FBAR Questions
 - FAQs 47 - 48: Taxpayer Representatives
 - FAQs 49 - 55: Case Resolution
- (2) The 2014 OVDP FAQs outline the program including its objectives, the process of making an offshore voluntary disclosure, eligibility, all penalties imposed by the program, statute of limitations issues, FBAR questions, and more.

Note: The 2014 OVDP FAQs can be found on IRS.gov.

- (3) Additional FAQs were posted as a result of the closing of OVDP on September 28, 2018. See *Closing the 2014 OVDP FAQs* on IRS.gov.

Note: Each OVDP is governed by a set of FAQs. The FAQs for each program provide the specific procedures for taxpayers to enter, participate, and resolve their offshore noncompliance with the IRS. The discussion in this IRM section in no way supersedes, changes, or alters any published FAQs for any of the OVDPs. Any inconsistency between the IRM and OVDP FAQs must be resolved in favor of the OVDP FAQs.

- (4) The *OVDP SharePoint* houses tools to assist the examiner including the field examiner guide, templates, referral forms, review checksheets and other tools.

4.63.3.1.7.2
(04-21-2025)

**Streamlined Procedures
FAQs**

- (1) The governing documents for the streamlined procedures consist of the following websites on IRS.gov:
 - a. *Streamlined Filing Compliance Procedures*
 - b. *U.S. Taxpayers Residing in the United States*
 - c. *U.S. Taxpayers Residing Outside the United States*
- (2) There are two sets of interpretive FAQs. One set applies to “U.S. Taxpayers Residing In the United States” referred to as Streamlined Domestic Offshore (SDO) and the other applies to “U.S. Taxpayers Residing Outside the United States” referred to as Streamlined Foreign Offshore (SFO). The eligibility terms and the streamlined procedures FAQs provide the specific procedures for taxpayers to enter, participate, and resolve their offshore noncompliance with the IRS. The discussion in IRM 4.63.3.17 et seq. in no way supersedes, changes, or alters any published FAQs for streamlined procedures. The IRS.gov pages and streamlined procedures FAQs are the governing document on streamlined procedures matters; any inconsistency between the IRM, and IRS.gov and/or the streamlined procedures FAQs must be resolved in favor of IRS.gov and the streamlined FAQs. The two sets of interpretive FAQs can be found on the following websites on IRS.gov:

- a. *Streamlined Procedures SDO FAQs*
- b. *Streamlined Procedures SFO FAQs*

- (3) IRS.gov and streamlined procedures FAQs outline the current procedures including its objectives, the process of making a streamlined procedures submission, eligibility, all penalties imposed by the program and more.

4.63.3.1.7.3 (04-21-2025) **Voluntary Disclosure Practice (VDP)**

- (1) Examinations conducted under VDP are governed by tax law and regular examination procedures. However, several deviations from regular examination procedures found in this IRM apply to voluntary disclosures, for example the application of the civil penalty framework, as outlined in IRM 4.63.3.18.2, Penalty Framework, and the disclosure period as outlined in IRM 4.63.3.18.3, Disclosure Period. Unlike the other programs and procedures in this IRM section, VDP does not have FAQs.
- (2) The *VDP SharePoint* houses tools to assist the examiner including, but not limited to, field examiner guide, templates, referral forms, review check sheets and other tools specific to VDP.

4.63.3.2 (04-21-2025) **Offshore Voluntary Disclosure Program (OVDP)**

- (1) **Reporting Offshore Accounts** - U.S. citizens, resident aliens, and certain nonresident aliens are required to report worldwide income from all sources, including foreign accounts, and pay taxes on income from those accounts at their individual rates. There are many legitimate reasons for holding offshore accounts, including convenience, investing, and to facilitate international transactions.
- (2) The OVDP provide a penalty structure that offers clear benefits to encourage taxpayers to disclose previously unreported foreign accounts or assets now rather than risk detection by the IRS and possible criminal prosecution.
- (3) Taxpayers with foreign financial accounts with an aggregate value exceeding \$10,000 any time during the year must file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), formerly TD F90-22.1. Form 114 must be filed electronically through *FinCEN's BSA E-Filing System*, not with the federal tax return. See IRM 4.26.16 , Report of Foreign Bank and Financial Accounts (FBAR), for more information about FBAR requirements, filing methods, due date, and potential penalties.
- (4) Failure to report the existence of offshore accounts or assets, or pay taxes on these accounts or assets, can lead to civil and criminal penalties.
- (5) Depending on the taxpayer's facts and circumstances, various international information returns (IIRs) may be required. Such IIRs include reporting of FBAR, foreign financial accounts, foreign corporations, foreign partnerships, transactions with foreign trusts, receipt of gifts or inheritances from foreign persons, and more. The failure to timely file an IIR may result in substantial civil penalties. *2014 OVDP FAQ 5* lists some of the most common IIRs and related civil penalties which may apply to a non-compliant taxpayer.

- 4.63.3.3
(04-21-2025)
OVDP Criminal Penalties
- (1) Taxpayers who decided not to participate in the OVDP may face certain criminal penalties along with the civil penalties described in *2014 OVDP FAQ 5* upon an examination of their returns. For a discussion of potential criminal penalties a taxpayer may face outside of the OVDP, see *2014 OVDP FAQ 6*.
- 4.63.3.4
(04-21-2025)
OVDP Program Requirements
- (1) Under the terms of the OVDP, taxpayers must fulfill several requirements in order to remain in the program. For the necessary requirements for taxpayers participating in the OVDP, see *2014 OVDP FAQ 7*.
- 4.63.3.5
(04-21-2025)
Foreign Financial Institutions or Facilitators Under Investigation
- (1) Since August 4, 2014, any taxpayer who has an undisclosed foreign financial account is subject to a 50-percent miscellaneous offshore penalty (MOP) if, at the time of submitting the preclearance letter to IRS Criminal Investigation, an event has already occurred that constitutes a public disclosure that the institution or facilitator is or has been under IRS or Department of Justice investigation. A list of foreign financial institutions or facilitators meeting these criteria is available. For full details, see *2014 OVDP FAQ 7.2*.
- 4.63.3.6
(04-21-2025)
OVDP Penalty Framework
- (1) The OVDP MOP is imposed on the value of “OVDP assets” as defined in *2014 OVDP FAQ 35*.
- (2) A comprehensive example of how the penalty framework works is provided in *2014 OVDP FAQ 8*.
- 4.63.3.7
(04-21-2025)
OVDP Disclosure Period
- (1) The OVDP disclosure period has changed during the different voluntary disclosure programs. The disclosure period for the 2014 OVDP is the most recent eight tax years for which the due date has already passed; it does not include fully compliant years. See *2014 OVDP FAQ 9*.
- 4.63.3.8
(04-21-2025)
Passive Foreign Investment Company (PFIC) Issues
- (1) Many OVDP cases involve passive foreign investment company (PFIC) issues. The most common situation involves foreign mutual funds which must be reported as PFICs. Often individual taxpayers lack historical information on the cost basis and holding period of PFIC investments, making it difficult for taxpayers to prepare statutory PFIC computations and for the IRS to verify. *2014 OVDP FAQ 10* provides an optional, non-statutory method for taxpayers to compute PFIC gain/loss.
- (2) There are many tools available on the *OVDP SharePoint* to assist examiners in certifying cases with PFIC issues.
- 4.63.3.9
(04-21-2025)
Calculating the Offshore Penalty
- (1) The MOP is a central provision of the 2014 OVDP. See *2014 OVDP FAQs 31 through 41* for specific guidance, especially *2014 OVDP FAQ 35* which defines the term **OVDP assets** subject to the MOP.
- 4.63.3.10
(04-21-2025)
FBAR Questions
- (1) Taxpayers must file delinquent or amended FBARs for the disclosure period according to current FinCEN procedures. See *2014 OVDP FAQs 44 through 46*.

4.63.3.11
(04-21-2025)
**Taxpayer
Representatives**

- (1) Taxpayer representatives must complete Form 2848, Power of Attorney and Declaration of Representative, with specific information for OVDP. The OVDP website on IRS.gov has a pro forma Form 2848 with necessary language for income tax, civil penalties, and FBAR issues. See Power of Attorney Form for the Offshore Voluntary Disclosure Initiative on the *OVDP website*.

4.63.3.12
(04-21-2025)
Case Resolution

- (1) Taxpayers must accept the terms of the 2014 OVDP to resolve their cases through this program, *2014 OVDP FAQs 49 and 50*. FAQ 51 provides specific procedures for taxpayers that wish to opt out of OVDP or when the IRS wishes to remove a taxpayer from OVDP.

4.63.3.13
(04-21-2025)
The OVDP Hotline

- (1) The OVDP Hotline phone number is (267) 466-0020. The hotline phone number is also included in the 2014 OVDP FAQs on IRS.gov.
- (2) Taxpayers or representatives may call the OVDP Hotline for information on case status and to answer procedural questions. The OVDP Hotline does not provide legal advice or case-specific guidance.
- (3) The OVDP Hotline is not manned by live operators. Rather, it is a voice mailbox on which messages may be left. CSDC OVDP personnel have the responsibility of returning messages received on the OVDP Hotline.
- (4) Each Hotline call is logged in the OVDP Hotline Call Log. The log includes the time and date of the call, the caller's name, the caller's phone number, the subject of the call, the OVDP employee returning the call, the date that the call was returned, and the answer given to the caller by the OVDP employee returning the call.
- (5) The OVDP Hotline also handles calls related to the streamlined procedures and the VDP.

4.63.3.14
(04-21-2025)
**OVDP Statutes and
Extensions**

- (1) Field examiners are responsible for performing thorough statute inspections for each year included in the disclosure period. The most common statute issue on OVDP cases is Form 872, Consent to Extend the Time to Assess Tax, including an extension for years with barred statutes. Locate "Authority to Allow Normal Assessment Statute of Limitations to Expire on Voluntary Disclosure Program Case" (commonly known as the YY memo) and the executed Form 872, and match to the statutes of limitations listed when assigned. A Form 872 executed at the OVDP unit includes all years under the applicable disclosure period, however the form might have been executed after the statute of limitations expired for some years. Years with an expired statute of limitations should remain in alpha code YY if the regular 3-year IRC 6501 period (including alternative statute dates under IRC 6501) expired prior to the execution of Form 872. Alpha code YY is also used when the deliberate decision is made to allow the normal statute of limitations to expire and required approval has been timely and properly documented.
- (2) The OVDP YY memo should contain the following language:

Example: The above-identified taxpayer has been tentatively accepted into IRS's Offshore Voluntary Disclosure Program, authorized in the Deputy Commissioner for Service and Enforcement's March 23, 2009, and March 1, 2011, memorandums. To comply with the terms of the Program, the

4.63 Withholding and International Individual Compliance

taxpayer is required to enter into a specific matters closing agreement under IRC 7121 in which the taxpayer waives any defense based on the expiration of the period of limitations on assessment or collection.

- (3) IRC 6501 provides the assessment statute of limitations rules for taxes, but not for FBAR penalties. For information about FBAR assessment statute expiration dates (ASEDs), see IRM 4.26.17.3.1, FBAR Statute of Limitations.
- (4) IRC 6501(a) provides that, in general, the ASED is three years from the later of the due date of the return or the date the return was filed.

Note: The ASED extension may or may not concurrently extend the refund statute expiration date (RSED). Additional RSED analysis may be required. See IRC 6511, Limitations on Credit or Refund.

- (5) IRC 6501 provides for various assessment statute exceptions beyond the general three-year rule. In nearly every OVDP case, one or more assessment statute exceptions will apply. The most common assessment statute of limitation exceptions used in OVDP are:
 - a. IRC 6501(c)(4) – extended by agreement using Form 872. All OVDP participants are required to submit a completed Form 872 for the entire eight-year disclosure period, so this provision must be analyzed in all cases.
 - b. IRC 6501(c)(8) – failure to notify the IRS of certain foreign transfers.
 - c. IRC 6501 (e)(1)(A)(i) – 25% omission of gross income.
 - d. IRC 6501 (e)(1)(A)(ii) – omission of more than \$5,000 or more of income from a specified foreign financial asset.

Refer to the ASED Determination Worksheet. All ASED determinations made by CSDC TEs must be reviewed and approved by a CSDC tax compliance officer, revenue agent, or manager.

4.63.3.15 (04-21-2025) Opt Out and Removal

- (1) 2014 OVDP FAQ 51 provides procedures for taxpayers participating in OVDP to opt out of the program and procedures for the IRS to remove a taxpayer from OVDP. Once a taxpayer opts out of OVDP or the IRS removes a taxpayer from OVDP, full scope income tax, penalty, and FBAR examinations will commence. See *2014 OVDP FAQ 51* for opt out and removal criteria.
- (2) If a taxpayer does not provide a complete response to an OVDP IDR by the response date, or is otherwise nonresponsive or uncooperative, the examiner will begin the OVDP Removal Process. See the Opt Out and Removal Guide for 2009 OVDP and 2011 OVDI embedded in 2014 OVDP FAQ 51. That guide governs the opt out and removal process.
- (3) The Opt Out/Removal package consists of:
 - Summary of the case's facts
 - Examiner's recommendation of examination scope and potential penalties
 - Summary of income tax and penalties/Form 4549
 - Other potential FBAR or information return penalties
 - Copy of the case activity record

- (4) The field group manager (GM) and territory manager (TM) concurrence is required for all removals. The TM will forward the package to the Opt Out/ Removal Committee. Upon committee approval, the field examiner will be provided updated project codes.
- (5) The case becomes a regular examination case.
- (6) If, during the OVDP Removal Process, the taxpayer requests to Opt Out, the field examiner ceases the OVDP Removal Process steps. The taxpayer must conform with the FAQ 51 procedures.

4.63.3.16
(04-21-2025)

Forms for Streamlined Procedures

- (1) The following table summarizes forms specific to streamlined procedures.

Form	Title	Description
Form 14653	Certification by U.S. Person Residing Outside of the United States for Streamlined Foreign Offshore Procedures	The certification to be used for participation into the SFO procedures.
Form 14654	Certification by U.S. Person Residing in the United States for Streamlined Domestic Offshore Procedures	The certification to be used for participation into the SDO procedures.
Form 14708	Streamlined Domestic Penalty Reconsideration Request Related to Canadian Retirement Plans	This form is to be used by taxpayers requesting a reconsideration of their previous streamlined procedures submission due to the inclusion of Canadian retirement plan in the SDO penalty base.

4.63.3.17
(04-21-2025)

Streamlined Procedures

- (1) Tax returns submitted under the SDO or the SFO procedures will be processed like any other returns submitted to the IRS. Consequently, receipt of the returns will not be acknowledged by the IRS and the streamlined procedures filing process will not culminate in the signing of a closing agreement with the IRS.

4.63.3.17.1
(04-21-2025)

Streamlined Procedures – Taxpayer Services Processing

- (1) Taxpayers are instructed to mail their completed streamlined procedures submission to Mail Stop 6063 AUSC. The following table provides the Taxpayer Services IRM procedures that can be used to assist in determining if correct actions have been taken on accounts submitted under streamlined procedures.

IRM Reference	Title
IRM 3.8.45.33	Manual Deposit Process – Expanded Streamlined Filing Compliance Procedures (AUSPC Only)

IRM Reference	Title
IRM 3.10.72.16.9	Miscellaneous Receipt and Control Procedures – Streamline Return Procedures (AUSPC Only)
IRM Exhibit 3.10.72-2	Receiving, Extracting, and Sorting – Correspondence “C” Letters - Routing Guide
IRM Exhibit 3.10.72-4	Receiving, Extracting, and Sorting – Miscellaneous Documents/Forms/Correspondence - Routing Guide
IRM 3.21.3.9.1	General Instructions for All International Returns – Streamlined Filing Compliance Procedures
IRM 3.22.3.7	Individual Income Tax Returns – Streamlined Filing Compliance Procedures
IRM 21.8.1.28	IMF International Adjustments – Streamlined Filing Compliance
IRM 21.8.2.17	BMF International Adjustments – Streamlined Filing Compliance Procedures

4.63.3.17.2
(04-21-2025)
**Streamlined Procedures
- LB&I Processing
(CSDC)**

- (1) Members of CSDC handle processing of documents and correspondence relating to the streamlined procedures.

4.63.3.17.2.1
(04-21-2025)
**Determining ASED for
Streamlined Cases**

- (1) Personnel in CSDC correct ASEDs for tax returns submitted through the streamlined procedures. Submissions must be screened to determine the appropriate ASED.
- (2) CSDC receives submissions with four possible tax return scenarios:
 - a. All required Forms 1040
 - b. All required Forms 1040-X
 - c. A mix of required Forms 1040 and Forms 1040-X
 - d. Forms 1041

Note: Some tax returns (including, but not limited to, Forms 1040-PR, 1040-NR, 1040-SS, 1065, 1120, 720, 709, and 706) are not accepted by the streamlined procedures. Such tax returns will not receive the beneficial terms of the streamlined procedures and will be sent for normal processing. Additionally, returns received by taxpayers who do not qualify for the streamlined procedures will be sent for normal processing.

4.63.3.17.2.2
(04-21-2025)
**Correspondence for
Streamlined Procedures**

- (1) CSDC personnel working on streamlined procedure cases have three bins for daily mail receipt: two for statute control (tax returns) and one for streamlined procedures correspondence.
- (2) Mail is received with a Form 3210 indicating the number of return packets for statute control and/or number of streamlined correspondence.

- (3) The CSDC TEs will verify that the Form 3210 is correct, sign it, give **Part 1 – Recipient’s Copy** to the group secretary and mail **Part 3 – Acknowledgement Copy** to the originator.
- (4) The personnel assigned monitors the basket and works correspondence as other priority work allows.
- (5) If the TE is unable to resolve the case immediately, the TE will submit the case to the personnel assigned to place into suspense.

4.63.3.17.2.3 (04-21-2025)

Streamlined Certification SharePoint

- (1) Personnel in CSDC input and file original certifications received (Forms 14653 and 14654) from taxpayers as part of the streamlined procedures. Original certifications are received in several ways.
 - **Internal** – Original certifications are detached by another function and sent to AUSC 4305 in a sealed envelope or with an internal routing coversheet. Personnel assigned have primary responsibility for inputting internally received certifications.
 - **Statute Clearance** – As part of the statute clearance workstream, detach original certifications from statute cleared submission packages containing 1040-X returns.
 - **Correspondence** – Original certifications may also be sent directly to CSDC by taxpayers and received as correspondence. After following correspondence procedures, these original certifications will be input and filed.

4.63.3.17.2.3.1 (04-21-2025)

Inputting Certifications – Streamlined Certification SharePoint

- (1) The CSDC Internal Site contains a Streamlined Certification SharePoint to input original certifications received through streamlined procedures. Assigned personnel will input certifications.
- (2) Assigned personnel should periodically check the incoming mail basket for certifications routed to AUSC 4305 from other areas, and the certifications received in streamlined packages from examination technicians (ETs), when working ASSED determinations. The personnel assigned will check certifications against the Streamlined Certification SharePoint to identify possible duplicates, misidentified responses to correspondence or subsequent certifications with additional information. In all cases of duplicate certifications, if an original copy is already on file, dispose of the photocopy (after confirming that the photocopy matches the original) as classified waste. Correspondence is referred to the TE tasked with correspondence review.
- (3) A “New” tab is available in the Streamlined Certification SharePoint to input SFO and SDO streamlined certifications as they are received in the streamlined submission packages. Entries for new certifications include:
 - Tax years identified on the certification
 - Primary taxpayer’s TIN
 - Taxpayer’s first and last name
 - Check box for “Lists Spouse” (if applicable)
 - Spouse’s information (first name, last name, TIN) on joint certifications should be input below the primary taxpayer
 - Received date and/or duplicate CERT received date (if applicable)

- Total tax and interest paid (typically found on page 1 of the SFO and SDO certifications)
- Total MOP (typically found on page 3 of the SDO certification (Form 14654))

Note: If the taxpayer included a Canadian registered retirement savings plan (RRSP) in the MOP calculation, place the comment “MOP Paid on RRSP” in the *Additional Notes* field.

Reminder: Be sure to save your file after inputting certifications.

4.63.3.17.2.3.2
(04-21-2025)

Filing Certifications

- (1) Assigned personnel organize the input certificates by SDO (yellow folder) or SFO (brown folder).
 - Certifications are organized by TIN (first three digits) and month received from the IRS received date stamp.
 - Certifications with no TIN should be placed in the folder marked 900-999/NO TIN.
 - Duplicate certifications (exact photocopy) are disposed as classified waste when an original copy is already on file.
 - Interfile with previously input certifications.
 - Add folders when additional space is needed for certifications and for each new month.

4.63.3.18
(04-21-2025)

Voluntary Disclosure Practice (VDP)

- (1) All voluntary disclosures, whether domestic or offshore, made after September 28, 2018, follow standard examination procedures guided by current policy. Specifically, the IRS applies the civil resolution framework as outlined in this IRM. At the IRS's discretion, this civil resolution framework may extend to non-offshore disclosures that have not been resolved but were received on or before September 28, 2018.
- (2) VDP examinations have several unique aspects that require consideration or modification from regular processing and examination procedures.

4.63.3.18.1
(04-21-2025)

VDP Requirements

- (1) IRS CI is responsible for decisions allowing taxpayers to participate in VDP. This IRM does not supersede any portion of IRM 9.5.11.9, Voluntary Disclosure Practice. If there is any perceived conflict between this IRM and CI's IRM concerning any CI procedure, CI's IRM controls.

Note: For joint returns and disclosures, criminal liability depends on individual conduct and intent. When spouses filed joint income tax returns but only one spouse committed a tax or tax-related crime, the willful spouse or both spouses may enter VDP. A spouse whose conduct was not willful is not required to make a voluntary disclosure; however, making a joint disclosure will ease the administrative burden of the civil examination.

Note: For a joint income tax return year, both spouses must sign if intended to bind both spouses. If only one spouse signs, ensure that payment of deficiencies, penalties, and interest are made in full and processed before the IRS countersigns the closing agreement.

Reminder: Examiners must follow IRM 4.10.1.2.2.1, Separate Notice Requirements.

Note: Related entities identified on an individual disclosure must check the “Yes” box on Form 14457, Part I, Line 7, c. to indicate the entity is also making a voluntary disclosure to be eligible for VDP terms.

- (2) Taxpayers with illegal source income under federal law are not eligible to make a voluntary disclosure. Income from activities determined to be legal under state law but illegal under federal law is considered illegal source income for purposes of VDP. For example, cannabis (or marijuana) is illegal under federal law even though it has been legalized in several states.
- (3) VDP requires taxpayers to be truthful, timely, and complete in their disclosure. It also requires taxpayers to:
 - a. Cooperate with the IRS in determining their tax liability and compliance reporting requirements.
 - b. Cooperate with the IRS in investigating any professional enablers who aided in the noncompliance.
 - c. Submit all required returns, information returns, and reports for the disclosure period.
 - d. Remit payment in full for the tax, interest, and any penalties determined by the IRS to be applicable. If they are unable to remit full payment, taxpayers must make arrangements with the IRS to pay in full the applicable tax, interest, and penalties.
- (4) Cooperation includes, but is not limited to:
 - a. Promptly and fully responding to all information document requests.
 - b. Submitting to interviews and providing access to related-party witnesses.
 - c. Providing statute extensions or waivers as necessary for tax and tax-related issues (including FBAR, if applicable).
 - d. Providing signed delinquent or amended returns, information returns, supporting documents, accountant’s workpapers, etc.
 - e. Providing bank account secrecy waivers for offshore cases.
 - f. Resolving all compliance matters covered by the taxpayer’s disclosure by agreement.
 - g. Agreeing to all adjustments the examiner makes to their income and deductions.
 - h. Agreeing to the assessment of their Title 26 taxes, additions to tax, interest and penalties, and Title 31 penalties (if applicable).
 - i. Full payment of all determined Title 26 taxes, additions to tax, interest, and penalties, as well as Title 31 penalties, or entering into a full payment arrangement acceptable to the IRS.

Note: When a taxpayer requests consideration for other than full payment, see IRM 4.63.3.18.11, Collection Considerations.

- (5) If a taxpayer fails to cooperate during their civil examination, including, but not limited to, meeting every element of cooperation listed above, the examiner may request CI revoke the preliminary acceptance. The examiner should follow the revocation procedures found in IRM 4.63.3.18.9, Revocation Procedures.

Note: Taxpayers must comply with U.S. law for all tax periods after the disclosure period and file returns according to standard filing procedures. Failure to

remain in compliance for all tax periods after the disclosure period may result in the revocation of preliminary acceptance and possible criminal prosecution.

- (6) If preliminary acceptance into VDP is revoked, examiners may expand the scope of the examination to include all tax years and assert all potentially applicable civil penalties, including FBAR, to the maximum extent under the law.
- (7) If preliminary acceptance into VDP is revoked, the taxpayer may exercise their right to appeal.

4.63.3.18.2 (04-21-2025)

Penalty Framework

- (1) A civil fraud penalty or fraudulent failure to file penalty, under IRC 6663 or IRC 6651(f), respectively, will apply to at least one year of every voluntary disclosure. The penalty should be asserted in the tax year with the highest tax deficiency. Tax deficiency is defined as the tax liability reported on a delinquent return secured as part of the voluntary disclosure submission or the increase in tax liability determined from examination adjustments.
- (2) In all cases where the fraud penalty applies, that penalty will be specifically identified and referenced by code section and title in all closing agreement, letters, reports and all other documents in accordance with normal examination procedures.
- (3) The application of a single year fraud penalty assumes that all terms of VDP have been complied with, including, but not limited to, full cooperation. If a taxpayer does not cooperate and revocation procedures are followed, based upon the facts and circumstances of the case, all applicable penalties may be applied and are not limited to the voluntary disclosure period.
- (4) Application of the single fraud penalty is in lieu of IRC 6662 accuracy-related penalties and IRC 6651(a)(1) and IRC 6651(a)(2) delinquency penalties.

Note: At the conclusion of the VDP examination, examiners should review taxpayer modules to determine if accuracy or delinquency penalties related to items reported with respect to the disclosure were improperly assessed by the Campus, and, if necessary, take appropriate action to abate those penalties.

- (5) The following examples relate to income tax penalties to be applied:
 - a. **Taxpayers submit six years of amended returns:** apply one fraud penalty on the year with the highest tax deficiency and no accuracy-related penalties for the other five years.
 - b. **Taxpayers submit six years of delinquent returns:** apply one fraudulent failure to file penalty on the year with the highest tax deficiency and no delinquency penalties on the other five years.
 - c. **Taxpayers submit three years of delinquent returns and three years of amended returns:** a single penalty for either fraud or fraudulent failure to file on the year with the highest tax deficiency with no accuracy-related or delinquency penalties on the other five years.
 - d. **Taxpayers disclose fraud involving a related taxable entity (most commonly a subchapter C corporation) or another taxable module (most commonly employment taxes):** a single civil fraud penalty or a fraudulent failure to file penalty, sections 6663 or 6651(f), respectively,

will apply to each entity, individual and separate tax module. This penalty structure applies whether the entity submits a separate or combined Form 14457.

Example: Individual taxpayer was the sole shareholder of a subchapter C corporation, and the corporation fraudulently understated income by paying personal expenses of the individual taxpayer and deducting them as business expenses. Individual taxpayer submits six years of amended returns, Forms 1040-X, and the corporation submits six years of amended returns, Forms 1120-X. One fraud penalty will apply to the year with the highest tax liability at the individual level and one fraud penalty will apply to the year with the highest liability at the corporate level and no accuracy-related penalties will apply for the other five years.

Note: The VDP penalty framework is not available for related entities that do not make a voluntary disclosure.

Exception: Fraud referral procedures are not required for agreed Title 26 voluntary disclosure cases closing with a Form 906, Closing Agreement. However, if the Title 26 case will close without a closing agreement, unagreed or when preliminary acceptance has been revoked, regular referral procedures including Fraud Enforcement Advisor (FEA) involvement and approval on Form 11661, Fraud Development Recommendation - Examination, must be followed.

- (6) The estimated tax penalty under IRC 6654 is to be applied, when applicable, to all years of the voluntary disclosure as this is a computational proxy for interest.
- (7) For VDP cases involving FBAR non-compliance, FBAR violation(s) are treated as willful, and penalties apply accordingly. Compute these penalties in accordance with existing IRS penalty guidelines in IRM 4.26.16, Report of Foreign Bank and Financial Accounts (FBAR), and IRM 4.26.17, Report of Foreign Bank and Financial Accounts (FBAR) Procedures.
- (8) Penalties for the failure to file information returns will not be automatically imposed. Examiner discretion should be exercised based upon the facts and circumstances of each case and take into consideration the application of other penalties. See IRM 4.63.3.18.13.2, Other International Information Returns (IIRs).
- (9) Other applicable Title 26 penalties for Specialty Issues will be subject to penalties with a structure similar to income tax penalties and will be handled based upon the facts and circumstances of the case. See IRM 4.63.3.18.14, Other Specialty Issues (Estate and Gift, Employment Tax, Excise Tax, and Tax Exempt/Government Entities).
- (10) Managerial penalty approval is subject to the requirements of IRC 6751(b)(1). See IRM 20.1.1.2.3, Approval Prerequisite to Penalty Assessments, and IRM 20.1.1.2.3.1, Timing of Supervisory Approval.
- (11) For FBAR examinations, the field examiner's position must be approved by an operating division FBAR coordinator, GM, and designated VDP FBAR counsel

before discussing with the taxpayer or representative per IRM 4.26.17.4(2), Closing the FBAR Case, and by the manager prior to assessment per IRM 4.26.16.5.6, Managerial Involvement and Approval of FBAR Penalties.

- (12) For all non-OVDP voluntary disclosures received on or before September 28, 2018, the IRS has the discretion to apply the procedures outlined in this IRM.

4.63.3.18.2.1
(04-21-2025)

Penalty Deviation

- (1) Given the objective of VDP, in rare and extraordinary cases, the IRS may grant a penalty deviation.
- (2) Taxpayers must present clear and convincing evidence to the satisfaction of the IRS to deviate from the established penalty framework. The IRS will not consider deviating from the standard penalty structure due to a fraud penalty's negative impact on social status, political aspirations, or professional licensure.
- (3) The deviation should consider application of the accuracy-related or failure to file penalties under sections 6662, 6651(a)(1) and (2) to all years in the disclosure period in lieu of the one-year civil fraud or fraudulent failure to file income tax penalty, and the non-willful FBAR penalty to all years of the disclosure period in lieu of the willful FBAR penalty. Other Title 26 penalties should also be considered as part of a deviation request, including but not limited to: IIR, Employment Tax, Estate & Gift Tax, Excise Tax, etc.
- (4) When the taxpayer indicates they do not agree with the prescribed VDP penalty structure, the field examiner should:
 - a. Request the taxpayer provide a detailed argument with support for their proposed alternative penalty structure in writing.
 - b. Review the merits of the request and prepare the exam team's position.
 - c. Elevate both the taxpayer and exam team's position to their VDP analyst.
- (5) The VDP analyst will review the request and coordinate with VDP counsel.
- (6) Only VDP counsel can approve a penalty deviation request.

4.63.3.18.3
(04-21-2025)

Disclosure Period

- (1) The disclosure period measurement date is based on the received date of Part II of Form 14457, Voluntary Disclosure Practice Preclearance Request and Application. Taxpayers may need to adjust the estimated disclosure period identified on the Form 14457, Part I, submission based upon the actual disclosure period as determined by the Form 14457, Part II, received date.

Example: The taxpayer submitted Form 14457, Part I, on September 30, 2020, while the 2019 tax return was on extension until October 15, 2020. Part I included a disclosure period of 2013-2018. The taxpayer submitted Form 14457, Part II, on December 21, 2020, after the 2019 tax return's extended due date. Thus, the disclosure period shifts to 2014-2019.

- (2) Generally, VDP requires civil examinations of the most recent six tax years for which the due date has already passed. For returns filed on extension, but before the extension due date, the filing date will be treated as the due date.

Reminder: The taxpayer's stated disclosure period and the actual disclosure period may be different. Examiners are required to verify.

Note: In rare situations, the income tax and FBAR disclosure periods may not align.

- (3) There are three exceptions to the six-year disclosure period:
1. If taxpayers do not cooperate during the civil examination, the examiner has discretion to examine all non-compliant tax years.
 2. In cases where noncompliance involves fewer than the most recent six tax years, the voluntary disclosure must correct noncompliance for all tax periods within the disclosure period.
 3. With the IRS's consent, cooperative taxpayers may be allowed to expand the disclosure period. Taxpayers may wish to include additional tax years in the disclosure period for various reasons (e.g., correcting tax issues with other governments that require additional tax periods, correcting tax issues before a sale or acquisition of an entity, correcting tax issues relating to unreported taxable gifts in prior tax periods, expatriation, etc.).
- (4) The following examples illustrate calculating the disclosure period:
- a. Taxpayer A makes a voluntary disclosure relating to willful noncompliance spanning the last 20 years. Taxpayer A fully cooperates and provides amended returns correcting all matters for the most recent six years. If Taxpayer A submits Form 14457, Part II, in January 2023, before the due date of the 2022 return, the disclosure period will be tax years 2016-2021. If Taxpayer A submits a voluntary disclosure in December 2023, after the 2022 tax year due date, including all extensions, the disclosure period will be tax years 2017-2022.
 - b. In the example above, assume Taxpayer A filed for an extension to file the 2022 tax return until October 15, 2023. Taxpayer A files the 2022 tax return on July 1, 2023. If Taxpayer A submits Form 14457, Part II, in June 2023, before filing the 2022 tax return, the disclosure period will be tax years 2016-2021. If Taxpayer A submits Form 14457, Part II in August 2023, after filing the 2022 tax return, the disclosure period will be tax years 2017-2022.
 - c. Taxpayer A makes a voluntary disclosure relating to willful noncompliance spanning the last 20 years. Taxpayer A does not cooperate during the civil examination and CI's preliminary acceptance is revoked. The IRS is **not** limited to a six-year disclosure period and may examine all non-compliant years. With management approval, the examiner may assert maximum penalties for all years. Cooperation is described in IRM 4.63.3.18.1(4), VDP Requirements.
 - d. Taxpayer B submits Form 14457, Part II, in January 2023 relating to willful noncompliance that occurred only during the most recent 4 tax years. Taxpayer B fully cooperates and sufficiently documents that only these four years were non-compliant. The disclosure period will be tax years 2018-2021.
 - e. Taxpayer B submits Form 14457, Part II, in January 2023 relating to willful noncompliance in tax years 2016 through 2019. Taxpayer B fully cooperates and sufficiently documents that only these four years were non-compliant. Taxpayer B's disclosure period will be limited to 2015-2019, the first five years of the disclosure period.

Note: After taxpayers have been preliminarily accepted into VDP, they must comply with U.S. law for all subsequent tax periods for all applicable filing requirements, both Title 26 and Title 31.

Reminder: Examiners should ensure all subsequent returns or reports are filed correctly and reviewed for consistency related to adjustments or issues identified in the voluntary disclosure years. Amended/delinquent returns must be secured as necessary to bring taxpayers into full compliance.

4.63.3.18.4
(04-21-2025)
**Taxpayer
Representatives**

- (1) Taxpayer representatives must complete a separate Form 2848, Power of Attorney and Declaration of Representative, for **each** taxpayer (individual, estate, and/or entity) participating in VDP, including specific information for the VDP. Examiners should review Form 2848 for completeness and proper authorization. See IRM 4.11.55.2.7.2, Processing of the POA, IRM 21.3.7.5, Form 2848, Power of Attorney and Declaration of Representative and Form 8821, Taxpayer Information Authorization Overview, and IRM 4.26.17.3.2, Power of Attorney in FBAR Examinations.
 - a. Form 2848 must include all years of the disclosure period. Consider including subsequent years for verifying future voluntary compliance.
 - b. Form 2848 must include all applicable Title 26 civil taxes, penalties, information returns and Title 31 FBAR.
 - c. A fiduciary representing a taxpayer must provide a properly executed Form 56, Notice Concerning Fiduciary Relationship, and supporting court documentation authorizing the fiduciary, if applicable. See IRM 3.13.5.32, Form 56, Notice Concerning Fiduciary Relationship. Any concerns with documentation regarding the authority to represent should be elevated to the VDP analyst.

4.63.3.18.5
(04-21-2025)
The VDP Hotline

- (1) The VDP Hotline phone number is (267) 466-0020.
- (2) Taxpayers or representatives may call the VDP Hotline for procedural questions only. This Hotline will not provide legal advice or case-specific guidance. Advice provided by the VDP Hotline is not binding, as it is based on isolated issues. Field examiners are responsible for making a final determination based upon all facts and circumstances of the case.
- (3) This Hotline is a voice mailbox on which messages may be left. IRS personnel will return messages received on this Hotline and will document each call in the Voluntary Disclosure Hotline Call Log.
- (4) FBAR questions are not answered by the VDP Hotline. FBAR inquiries should be directed to the IRS FBAR Hotline, operated by CTR Operations in Detroit, or to FinCEN, depending on the question. For contact information and a description of the FBAR help offered by each hotline, see or refer callers to the **Contact us** section of the *Report of Foreign Bank and Financial Accounts (FBAR)* page on IRS.gov.

4.63.3.18.6
(04-21-2025)

Overview of the Voluntary Disclosure Case Development Process

- (1) Taxpayers request preclearance by submitting Part I of Form 14457, Voluntary Disclosure Practice Preclearance Request and Application, to IRS CI's Global Operations.
- (2) Once precleared, taxpayers request preliminary acceptance by submitting Part II of Form 14457, Voluntary Disclosure Practice Preclearance Request and Application, to IRS CI's Global Operations.
- (3) Once preliminary acceptance into the VDP is granted by CI, CI forwards taxpayers' voluntary disclosures to CSDC.
- (4) Taxpayers must file FBARs electronically as required by FinCEN and provide confirmation of filing plus a copy of the electronically filed FBARs to the assigned field examiner. See IRM 4.26.16.3.1(2), General FBAR Filing.
- (5) CSDC establishes and begins preliminary case building, including associating required documents with the case file.
- (6) Once CSDC completes preliminary case building procedures, the case is sent to the appropriate PSP for classification, case building completion, and field assignment. See IRM 4.1.1.6.17, Voluntary Disclosure Program (VDP).

Note: For a listing of VDP Project Code and Tracking Codes, see the Field Examiner Guide Paper found on the *VDP SharePoint*.

- (7) Once assigned, the examination begins and is conducted in accordance with IRM 4.10, Examination of Returns, with exceptions addressed in this IRM.
- (8) A complete package should be prepared by the taxpayer and available upon initial contact by the assigned field examiner.

Note: Instructions to Form 14457 state taxpayers must submit all required returns, reports, and schedules for the disclosure period directly to the assigned field examiner once the civil examination commences.

- (9) PSP will establish one year, typically the most recent year, and field examiners are required to expand the scope to all years in the disclosure period and for all entities. Field examiners will follow related return pick-up procedures to establish prior and subsequent years, FBAR, IIR, related entities, and other specialty returns as applicable.
- (10) Taxpayers who file delinquent tax or information returns directly with the IRS processing campuses may have certain penalties automatically assessed and a collection notice may be issued to the taxpayer. During the examination, the field examiner should reconcile the taxpayer's module and consider abatement of penalties automatically assessed as applicable.

4.63.3.18.7
(04-21-2025)

ASED Determination and Protection

- (1) Determine the Assessment Statute Expiration Date (ASED) for tax returns received and processed through the VDP. Information regarding statute of limitations is found under IRM 25.6, Statute of Limitations.
- (2) Taxpayers accepted into the VDP are required to submit the following documents needed for making a statute determination:

- a. Copies of their previously filed tax returns (and any applicable IIRs) for all years in the disclosure period,
 - b. Original delinquent tax returns (and any applicable IIRs) for any non-filed years, and
 - c. Amended tax returns (and any applicable IIRs) for tax years in the disclosure period requiring correction.
- (3) Protect statutes by following statute control procedures as outlined in IRM 25.6.23, Examination Process-Assessment Statute of Limitations Controls.
- (4) Agreeing to extend the assessment period is an element of cooperation.
 - a. Field examiners must solicit Form 872 , Consent to Extend the Time to Assess Tax, under IRM 25.6.22.2, Guidelines for Soliciting Extensions, for tax years with less than one year remaining on the assessment statute period.

Note: IRM 4.10.1.4.4, Digital Signatures, provides guidance on acceptable digital signatures for use when delegated IRS officials elect to sign consent forms digitally.
- (5) If a Title 26 ASED is expired for a year in the disclosure period, and no exception to extend the statute applies, alpha code “OO” or “YY” (for offshore cases) will be used to establish the case. See IRM Exhibit 25.6.23-3, Instructions for Updating the Statute on AIMS.
- (6) If an ASED is about to expire and an extension cannot be secured, discuss with your manager and VDP analyst.
- (7) When a VDP case involves one or more years with barred ASEDs, a Form 906, Closing Agreement, is required for all years of the disclosure period. Consult with your VDP analyst for assistance.
- (8) Title 31 FBAR statutes and consents are fundamentally different than Title 26 statutes and consents. Field examiners must:
 - a. Determine FBAR ASED for all years in the disclosure period.
 - b. Solicit consents as necessary. See IRM 4.26.17.3.1, FBAR Statute of Limitations, and IRM 4.26.17.3.1.3, Extending the FBAR Statute of Limitations, and/or discuss with your VDP analyst.
 - c. Elevate for revocation consideration due to lack of cooperation if an FBAR ASED is barred and consent to extend the statute cannot be secured. For information on revocation procedures, see IRM 4.63.3.18.9, Revocation Procedures.

4.63.3.18.8
(04-21-2025)
**Unprocessed Taxable
Returns (Forms 1040
and 1120) – Delinquent
and Amended**

- (1) Instructions to Form 14457, Voluntary Disclosure Practice Preclearance Request and Application, direct taxpayers to submit signed original delinquent and/or amended returns **to the assigned field examiner** once contact is initiated. These returns should **not** be processed through normal return processing procedures to ensure proper penalty application within the established civil penalty framework for VDP.
- (2) When an **original delinquent** return for a year included in the disclosure period is provided to the field examiner, the field examiner will establish the return following IRM 4.4.9.6, Delinquent Return Received After SFR TC 150 Posted at MF. When an **amended** return is provided to the field examiner, do

not process or make a partial assessment. In both cases, the field examiner will incorporate all adjustments on Form 4549/4549-A Report of Income Tax Examination Changes.

Note: In cases where the statute is expiring, a statute extension cannot be secured, and a statute exception does not apply, follow IRM 4.38.1.7.2, Manual (Quick) Assessments.

- (3) When delinquent and/or amended returns were prematurely submitted and were processed prior to case assignment, follow regular exam procedures.
 - a. Reconcile tax module to the amended return and Report Generation System (RGS) to ensure the starting point is correct.
 - b. Review taxpayers' transcripts to determine penalties are consistent with the terms of VDP. If required, abatement of penalties should not occur until the case is nearing resolution.

Note: When closing a case using Form 906, Closing Agreement, generally all adjustments identified on the delinquent or amended returns, and during the examination, should be included on Form 906 and Form 4549-A, Report of Income Tax Changes (Without Taxpayer Signature). However, statutory adjustments should not be included on Form 906, and in cases where delinquent or amended returns were previously processed, all adjustments must be included on Form 906, but only the adjustments not previously assessed will be included on Form 4549-A. In this scenario, Form 4549-A will not have all the adjustments included on Form 906.

Caution: Field examiners should **only** use Form 4549-A, Report of Income Tax Changes (Without Taxpayer Signature), with Form 906, Closing Agreement.

- (4) Analysis of related returns should be considered. See IRM 4.10.5.4.1, Analysis of Related and Spin-Off Returns.

4.63.3.18.9
(04-21-2025)

Revocation Procedures

- (1) In the event a taxpayer fails to cooperate with the civil examination (cooperation is described in IRM 4.63.3.18.1(4), VDP Requirements), the field examiner may request CI revoke preliminary acceptance. Requests for revocation are expected to be rare because taxpayers agree to cooperate with the IRS upon signing their VDP submission. Revocation is at the discretion of the IRS. A taxpayer cannot request revocation, removal, or opt out of VDP.
- (2) Field examiners should attempt two requests with a taxpayer before considering revocation and continue to actively work both the Title 26 and the Title 31 examinations (if applicable) while pursuing revocation. The steps for revocation are outlined in the following paragraphs.

Note: Maintaining a detailed Form 9984, Examining Officer's Activity Record, documenting examination's requests for information and the taxpayer's response will be key in preparing the summary for a revocation request.

- (3) Discuss the lack of cooperation with taxpayers/representatives. If taxpayers remain uncooperative, the field examiner should discuss the facts and circum-

4.63 Withholding and International Individual Compliance

stances of the case with the GM and the VDP analyst. If it is agreed that the taxpayer is not cooperating, proceed with the next step.

- (4) Issue Letter 6229, Voluntary Disclosure Practice Revocation, informing taxpayers their preliminary acceptance into the VDP is conditional, in part, on cooperation.
 - a. Provide the field examiner's information as the contact information.
 - b. Letter 6229 should be signed by the field examiner.
 - c. Complete grid at the end of Letter 6229 detailing the dates, contacts made, and results of the contact.
 - d. Enclose a new Form 4564, Information Document Request, listing all outstanding information previously requested.
 - e. Allow 30 days response time (45 days if outside the U.S.).
 - f. If the taxpayer remains uncooperative, proceed to paragraph 4 below.
 - g. If the taxpayer becomes cooperative, continue with the examination.
 - h. If the taxpayer becomes cooperative and then later resumes uncooperative behavior, skip to the next step in paragraph 4 below and issue Letter 6230. Letter 6229 does not need to be reissued and the waiting period does not reset.
- (5) Issue Letter 6230, Voluntary Disclosure Practice Revocation Status, the follow-up letter to Letter 6229, addressing taxpayers' continued lack of cooperation. Taxpayers may request a review of the field examiner's decision to request CI revocation of preliminary acceptance in writing to the TM.
 - a. Enter TM or designee contact information in body of the letter. The designee can be the GM.
 - b. Provide the field examiner's information as the contact information.
 - c. Letter 6230 should be signed by the field examiner.
 - d. Allow 30 days response time (45 days if outside the U.S.).
 - e. If the taxpayer fails to respond or remains uncooperative, proceed to paragraph 5 below.
 - f. If the taxpayer requests a TM conference, the field examiner should coordinate a mutually agreeable time, preferably within two weeks of the request.
 - g. If an agreement is not secured after TM conference, move to the next step as shown in paragraph 5 below.
 - h. If the taxpayer becomes cooperative, continue with the examination. Explain to the taxpayer(s)/representative(s) that further failure to cooperate may result in the revocation referral being made without notification.
 - i. If the taxpayer becomes cooperative and then later resumes uncooperative behavior, skip to the next step in paragraph 5 below. Letter 6230 does not need to be reissued and the waiting period does not reset.
- (6) If after issuance of Letters 6229 and 6230, it is determined that taxpayers are not cooperating, complete the "Voluntary Disclosure Practice – Revocation Referral Request" found on the *VDP SharePoint*.
 - a. Prepare an executive summary of the case, highlighting the taxpayer's lack of cooperation. All pertinent facts and circumstances should be provided for CI to make an informed decision.
 - b. Send the completed request to the VDP analyst for elevation to CI.

- (7) Continue with the examination while waiting for a determination. Examiner may consider expanding the scope of the disclosure period as well as applying maximum penalties for all years.
- (8) The VDP analyst will notify the field examiner of CI's determination.
- (9) If preliminary acceptance is revoked, the field examiner:
 - Will be notified of required updates to tracking code.
 - Should consult with the FEA for fraud development and, if applicable, refer to IRM 4.26.17.5.3(1), Fraud Referrals in FBAR Examinations.
- (10) If preliminary acceptance is not revoked, proceed with the examination in accordance with the terms of the VDP. See Exhibit 4.63.3-1, Voluntary Disclosure Practice Flow Chart Revocation Process.

4.63.3.18.10
(04-21-2025)

Payments Prior to Case Assignment

- (1) Before case assignment, but after preliminary acceptance from CI, taxpayers may submit payments for taxes, additions to tax, penalties, and interest, per the instructions to the Form 14557, Voluntary Disclosure Practice Preclearance Request and Application. Austin Campus Unit (ACU) will process those payments as designated by the taxpayers. If the taxpayers did not designate a specific tax or penalty type or the tax year, the payment will be applied to the most recent tax year identified by the taxpayers on their Form 14457.
- (2) After case assignment, taxpayers should provide payment to the assigned field examiner for processing.
- (3) All payments are advance payments; consequently, any credit or refund of the payments is subject to the limitations of IRC 6511. If a representative attempts to designate a remittance as a cash bond, please coordinate the issue with your VDP analyst.
- (4) Examiners are responsible for reconciling payments in all modules and must request funds be transferred to correct modules as necessary.

Note: Reconciliation tools are available on the *VDP SharePoint*.

- (5) When a tax year module is on Integrated Data Retrieval System (IDRS) retention when the payment was received, the examiner should ensure the payment is posted correctly after submission.

Note: As soon as practical after the FBAR penalty is determined/approved and before closing the FBAR case, field examiners must follow IRM 4.26.17.4.4.1, Instructions for Misposted FBAR Payments, to move any funds erroneously posted into Master File Transaction (MFT) 55 to the FBAR account. Confirm movement of funds by including a transcript in the FBAR case file before closing from the exam group.

4.63.3.18.11
(04-21-2025)

Collection Considerations

- (1) VDP is a mandatory workstream. Thus collectibility is not a consideration for determining whether a VDP case is examined as these cases involve taxpayers who have voluntarily disclosed tax or tax-related crimes.
- (2) As part of cooperation, the terms of VDP requires full payment of tax, interest, and penalties.

4.63 Withholding and International Individual Compliance

Note: This includes Title 26 and Title 31 liabilities for all years and is not limited to the VDP disclosure period.

- (3) In some cases, a taxpayer may not have the ability to full pay at the time of signature. As soon as a taxpayer indicates they do not have the ability to full pay, the field examiner should request a completed Form 433-A, Collection Information Statement for Wage Earners and Self-Employed Individuals, or Form 433-B, Collection Information Statement for Businesses, with all required attachments from the taxpayer. Taxpayers will have up to 60 days to provide the requested information and, if not received timely, the request will be rejected.
 - a. The field examiner is responsible for verifying that all collection forms and supporting documents are complete and signed.
 - b. Closing agreements for married filing jointly returns will require the signature of both spouses to bind both. When only one spouse executes the closing agreement and full payment is not received, collection action based on the adjustments agreed to in the closing agreement is prohibited against the non-signing spouse.
- (4) A VDP collection referral is mandatory for all NonFullPay VDP cases. The VDP Collection Referral form is found on the *VDP SharePoint*. All VDP installment agreements **must** be approved by collection following the specific VDP referral form. Without collection concurrence, the Form 906, Closing Agreement, will **not** be executed by the designated VDP Technical Services.

Caution: For the VDP Collection Referral form, include only Title 26 unpaid tax, interest, and penalties in the “Estimated Liability” field; any Title 31 FBAR unpaid penalties should be included in the “Other Comments” field.

Note: When a Taxpayer requests consideration for other than full payment of Title 31 FBAR penalties, examiner must elevate to the VDP analyst. FBAR collection agreements are extremely rare and when possible, satisfaction of FBAR liabilities should be given priority.

- (5) The field examiner must complete all fields in Part I of the referral form and email to the Abusive Tax Avoidance Transaction (ATAT) contact based on the taxpayer’s address. *ATAT Collection Coordinator Contacts by State* are listed on the Collection Investigation Tools Knowledge Base.

Note: Do **not** use the Specialist Referral System (SRS) to make a VDP collection referral.

- a. Once a referral is made, the field examiner should wait for collection’s concurrence before closing the case.
- b. If there are excessive delays with the referral, the field examiner should contact the VDP analyst for elevation.
- c. If tax liabilities are significant and the taxpayer indicates full payment cannot be made, coordinate early with the VDP analyst.

Reminder: The burden is on the taxpayer to establish, to the satisfaction of the IRS, the taxpayer’s inability to immediately pay all outstanding federal tax liabilities (tax, penalties, and interest for all tax years) based on full disclosure of all assets and income, domestic and foreign, under the taxpayer’s control. If

the taxpayer establishes, to the satisfaction of the IRS, their inability to immediately full pay, the taxpayer must work out other financial arrangements acceptable to the IRS to resolve all outstanding federal tax liabilities (tax, penalties, and interest for all tax years).

- (6) In cases where the taxpayer agrees with amounts due, but does not pay in full and collection has approved the proposed installment agreement, the field examiner must ensure any closing agreement resolving a case with less than full payment includes the required language provided within the template Non-Full Pay Form 906 Closing Agreements, specifically addressing the waiver of collection due process rights under IRC 6320 et seq. and IRC 6330 for all tax periods addressed in the closing agreement. Templates can be found on the *VDP SharePoint*.
- (7) Any collection issues related to an inability to full pay Title 31 FBAR penalties must be elevated to your VDP analyst.
- (8) Offer-in-Compromise (OIC) will not be considered pre-assessment for a VDP case. If an OIC is prematurely submitted, the examiner will date stamp page 1 of Form 656, Offer in Compromise, in the upper right-hand corner and forward to the Centralized Offer-in-Compromise (COIC) location based on where the taxpayers reside, as shown on *Offer-in-Compromise – Centralized Service Center Locations*. If the taxpayer has no assessed liability, the offer will be returned as not processable by COIC. Notify the VDP analyst if an OIC is submitted.

4.63.3.18.12 (04-21-2025) Form 906 Closing Agreement - Review and Approval Process

- (1) This section **does not apply** to the review and approval of FBAR Agreements, which follow different approval and processing procedures. See IRM 4.63.3.18.13.1.1, FBAR Agreements - Drafting, Review, and Case Closing Process.
- (2) All VDP Form 906, Closing Agreement on Final Determination Covering Specific Matters, must be reviewed and approved by VDP counsel and designated VDP Technical Services **before** issuance to the taxpayer.

Note: All related case closings on Form 906 should be submitted for review together and should all close together at the conclusion of the examination.

- (3) The field examiner drafts the Form 906 in accordance with IRM 8.13.1, Processing Closing Agreements in Appeals.

Note: Template Form 906 (and FBAR Agreements) are available on the *VDP SharePoint* and are to be used as a starting point. Field examiners must incorporate the specific facts and circumstances of their case.

Note: For assistance with drafting, examiners should contact their VDP analyst. The VDP analyst will coordinate with VDP counsel for review, as necessary.

- (4) Once drafted, field examiners will commence the review process as directed on the "Voluntary Disclosure Practice *Initial* Form 906 Review Checksheet" which can be found on the *VDP SharePoint*.

4.63 Withholding and International Individual Compliance

- a. The field examiner will upload required documents into one RGS folder.
- b. The field examiner will complete their review and elevate to their GM.
- c. The GM will complete a full review of Form 906, IDRS, and the case file, before elevating to the appropriate VDP analyst.
- d. The VDP analyst will complete their review and elevate to VDP counsel for approval.
- e. VDP counsel will provide their approval to the VDP analyst, who will share with the GM and the field examiner, including approvals and updated workpapers as appropriate.

Caution: If the field examiner discovers any subsequent alterations required to Form 906 after VDP counsel approval, the examiner must obtain VDP counsel approval prior to making the revision.

Note: Counsel review, as addressed in this IRM, means review by VDP counsel. Only certain Litigation and Advisory (L&A) counsel attorneys have been trained to support the VDP. Additionally, a Form 906 involving specialty issues may require additional counsel coordination (see IRM 4.63.3.18.14, Other Specialty Issues (Estate and Gift, Employment Tax, Excise Tax, and Tax Exempt/Government Entities)).

- f. The GM will notify designated VDP Technical Services by emailing **SBSE Tech Svcs VDP 906 Review* and copying the Technical Services analyst identified on the Voluntary Disclosure Practice Initial Review Checklist that the Form 906 is ready for review.
- g. Technical Services completes their review in RGS and sends approval notification to the GM by email.
- h. After designated Technical Services approval is received by email, the field examiner will provide Letter 4555, Exam Closing Agreement Transmittal, and Form 906, Closing Agreement on Final Determination Covering Specific Matters, to the taxpayer/representative for signature.

Note: For guidance on electronically submitted signatures, see IRM 10.10.1.6.1, Accepting Images of Signatures and Digital Signatures in Certain Taxpayer Interactions, IRM 4.10.1.3.7, Policy for Use of Fax in Tax Transmissions, and IRM 4.10.1.4.4, Digital Signatures.

- (5) After the taxpayer returns the signed Form 906, the field examiner will commence the review process as directed on the "Voluntary Disclosure Practice *Final Form 906 Review Checksheet*", which can be found on the *VDP SharePoint*.

1. The field examiner must review the Form 906 returned by the taxpayer for any alterations.
2. The GM must complete the final case review prior to closing the case to Technical Services for execution of the Form 906.
3. The GM must coordinate execution of the FBAR Agreement with BSA prior to closing the income tax case to Technical Services.

Reminder: Form 906 Review Checksheets **must** be used to document the review approval process by the examiner, GM, VDP analyst, VDP counsel, and Technical Services reviewers/GMs as required during both the initial and final Form 906 review process. These checksheets are available on the *VDP SharePoint*.

4.63.3.18.13
(04-27-2021)
**International Aspects -
Foreign Financial
Accounts**

- (1) U.S. citizens, resident aliens, and certain nonresident aliens are required to report worldwide income from all sources, including foreign financial accounts, and pay taxes on income from those accounts at their individual tax rates. In addition to reporting income, there are various IIRs that must be filed annually.

4.63.3.18.13.1
(04-21-2025)
**Report of Foreign Bank
and Financial Accounts
(FBAR)**

- (1) Taxpayers with a financial interest in or signature or other authority over foreign financial accounts with an aggregate value exceeding \$10,000 any time during the year must file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). See IRM 4.26.16.2, FBAR Filing Criteria.

Note: FinCEN Form 114 replaced TD F 90-22.1 starting in 2013.

- (2) Delinquent and/or amended FBARs must be filed electronically through FinCEN's BSA E-Filing System unless FinCEN grants an exemption to allow paper-filing. The FBAR is not filed with a federal tax return and cannot be submitted directly to the assigned examiner. See IRM 4.26.16.3.1, General FBAR Filing, IRM 4.26.16.3.11, Delinquent FBAR Filing Procedures, and IRM 4.26.16.3.12, Amending a Filed FBAR.
- (3) Failure to accurately report the existence of, or keep records for, foreign financial accounts can lead to civil and criminal penalties. See IRM 4.26.16.5, FBAR Penalties.
- (4) FBAR examinations, if applicable, are conducted pursuant to IRM 4.26.16, Report of Foreign Bank and Financial Accounts (FBAR), and IRM 4.26.17, Report of Foreign Bank and Financial Accounts (FBAR) Procedures.
- (5) VDP modifies standard procedures in IRM 4.26.16 and IRM 4.26.17 for FBAR penalties, in that the penalties for willful FBAR violations must be approved by VDP FBAR counsel, not local FBAR counsel.
- (6) An abbreviated penalty write-up is acceptable when the penalty is agreed with an FBAR agreement if the write-up addresses all requirements in IRM 4.26.17.4(2), Closing the FBAR Case, and the facts are sufficient to support a willful determination.
- (7) Examiners must secure an approved Form 13535, Report of Foreign Bank and Financial Accounts Related Statute Memorandum, before initiating an FBAR examination for a taxpayer participating in the VDP. See IRM 4.26.17.2.1, Starting an FBAR Examination Resulting from Title 26 – Related Statute Memorandum (RSM) Required.
- (8) Penalties for willful FBAR violations apply in VDP cases involving FBAR non-compliance and will be computed in accordance with existing IRS penalty guidance under IRM 4.26.16 and IRM 4.26.17. Also see IRM 4.63.3.18.2, Penalty Framework.
- (9) In all FBAR examinations, examiners must solicit a consent to extend the civil statute of limitations on FBAR penalty assessment for **all** years of the disclosure period with short and barred statutes using IRM Exhibit 4.26.17-6, Consent to Extend the Time to Assess Civil Penalties Provided by 31 USC 5321 for FBAR Violations. See IRM 4.26.17.3.1.3, Extending the FBAR Statute of Limitations.

- (10) When FBAR issues are present in a VDP case, Form 2848, Power of Attorney and Declaration of Representative, must be prepared for FBAR matters and processed in accordance with IRM 4.26.17.3.2, Power of Attorney in FBAR Examinations, in addition to processing the Form 2848 for Title 26 matters. A separate Form 2848 is not needed, but the original should be kept with the case file and a copy should be sent to CTR Ops.

Note: Examiners must have an approved Form 13535, Report of Foreign Bank and Financial Accounts Related Statute Memorandum, before discussing FBAR matters with the taxpayer or representative, even if authorization is provided on Form 2848.

4.63.3.18.13.1.1
(04-21-2025)

**FBAR Agreements -
Drafting, Review, and
Case Closing Process**

- (1) In general, FBAR examinations conducted as part of VDP will follow regular examination procedures with the exception of procedures specifically identified in this IRM and must be elevated for approval through the FBAR coordinator and VDP counsel. See IRM 4.26.17.4, Closing the FBAR Case.

Note: The “VDP counsel” must perform the review, not local FBAR counsel.

- a. A template VDP FBAR Agreement is available on the *VDP SharePoint*. Use this template as a starting point and modify it for the facts and circumstances of each case.
- b. Any collection issues related to an inability to full pay Title 31 FBAR penalties must be elevated to your VDP analyst.
- c. Examiners should work with their VDP analyst, assigned FBAR Coordinator, and VDP counsel for assistance in drafting, reviewing, and approving the willful FBAR penalty, including penalty computations, development of facts for summary memorandum, FBAR agreements, etc.

- (2) After VDP counsel review and approval, the FBAR agreement must be sent to **Servicewide FBAR Support* for **pre-review** and approval prior to issuance to the taxpayer. The pre-review package should include:

- FBAR agreement (reviewed by VDP counsel)
- FBAR Exhibit A – Combined Form 13449
- FBAR penalty computation
- FBAR VDP counsel approval
- FBAR coordinator approval
- Group manager approval
- FBAR F886A explanation
- RSM for each year

Note: The FBAR agreement should be executed **prior** to related Title 26 income tax. Follow IRM 4.26.17.4, Closing the FBAR Case, or any applicable interim guidance, for preparing case to close from the group.

4.63.3.18.13.2
(04-21-2025)

**Other International
Information Returns
(IIRs)**

- (1) Depending on the taxpayers’ facts and circumstances, various international information returns (IIRs) may be required. IIRs include, but are not limited to, reporting of foreign financial assets, foreign corporations, foreign partnerships, transactions with foreign trusts, and receipt of gifts or inheritances from foreign persons.

- a. For information returns related to foreign entities, the IRS will require all information returns for the disclosure period to be filed.

- b. If a foreign entity was legally dissolved during the disclosure period, the taxpayer must provide clear and convincing evidence of dissolution to avoid the requirement to file information returns for the years following the year of the alleged dissolution. Merely asserting that a foreign entity was abandoned will not eliminate the requirement to file information returns.

Note: The IRC 965 **transition tax** increases a specified foreign corporation's subpart F income (as defined in section 952) by the greater of its accumulated post-1986 deferred foreign income determined as of November 2, 2017, or December 31, 2017. IRC 965(d)(2)(B) clarifies that for purposes of determining accumulated post-1986 deferred foreign income, in the case of a Controlled Foreign Corporation (CFC), it does not include income that, if distributed, would be excluded from gross income of a United States shareholder under IRC 959, i.e., previously taxed earnings and profits (PTEP). As discussed below, taxpayers must properly account for and report subpart F inclusions under IRC 951(a)(1) and PTEP, and only amounts actually reported by the taxpayer prior to the disclosure period and amounts reported and taxed as part of the disclosure will constitute PTEP. In other words, a taxpayer using VDP must strictly comply with the IRC for purposes of computing PTEP and determining accumulated post-1986 deferred foreign income for purposes of IRC 965.

Note: A taxpayer participating in VDP remedies a specific number of tax years. For taxpayers that own CFCs, part of coming into compliance includes reporting applicable Subpart F income (including any amounts determined under IRC 965(a)) and global intangible low taxed income (GILTI) under IRC 951A(a). Since the disclosure scope within VDP is generally six years, noncompliant years prior to the disclosure scope may have previously unreported and untaxed Subpart F income (including amounts under IRC 965(a)) and GILTI. Absent the subpart F income (including amounts under IRC 965(a)) and GILTI being reported by the taxpayer and taxed, VDP does not constructively provide the taxpayer with PTEP for pre-disclosure years.

- (2) In a VDP case involving previously unreported foreign financial accounts where material FBAR penalties are applied, international information return penalties will not be automatically asserted, rather they should be considered based upon facts and circumstances.
 - a. If taxpayers filed delinquent IIRs directly with the campus, examiners should review taxpayers' modules to determine if penalties were automatically assessed. If the examiner determines the failure to file penalties are not warranted, appropriate action should be taken to abate the penalties. In general, where willful penalties are applied to FBAR violations, examiners should consider not asserting IIR penalties. If questions arise, coordinate with your VDP analyst.
 - b. When the examiner secures original delinquent international information directly from the taxpayer and determines penalties are not appropriate, the examiner should write in red on the top of the return "Delinquent

Return Secured by Examination” and “Penalties Considered by Examination” and then follow IRM 20.1.9.2(14), Assessment Procedures for Penalties Not Subject to Deficiency Procedures, for processing.

Note: For Forms 3520/3520A, see IRM 20.1.9.13.1(8), Reporting and Filing Requirements. For all other foreign IIRs, see IRM 20.1.9.2(14), Assessment Procedures for Penalties Not Subject to Deficiency Procedures.

4.63.3.18.14
(04-21-2025)

**Other Specialty Issues
(Estate and Gift,
Employment Tax, Excise
Tax, and Tax
Exempt/Government
Entities)**

- (1) If a voluntary disclosure involves both income tax noncompliance and a specialty tax issue, the examiner should use the Specialty Referral System (SRS) for assistance in working the specialty tax issues.
- (2) Cases involving only a specialty tax issue will be assigned directly to a field examiner with training related to that specialty issue:
 - a. Estate and gift tax, refer to IRM 4.25.7, Estate and Gift Tax Penalty and Fraud Procedures.
 - b. Employment tax, refer to IRM 4.23.8, Determining Employment Tax Liability.
 - c. Excise tax related to employee benefit plans, refer to IRM 4.70.14, Resolving the Examination.
 - d. Tax Exempt/Government Entities, refer to IRM 25.1.9, Tax Exempt and Government Entities (TE/GE).

4.63.3.18.14.1
(04-21-2025)

**Estate and Gift – VDP
Penalty Framework**

- (1) A civil fraud penalty or a fraudulent failure to file penalty, IRC 6663 or IRC 6651(f), respectively, will apply to the deficiency in estate tax for all voluntary disclosures involving estate tax issues at the reduced rate of 50% rather than the statutory rate of 75%. See examples below.
 - a. **Omitted Asset:** Executor of Estate filed a Form 706, U.S. Estate Tax Return, for year 201X. Executor intentionally omitted \$2,000,000 of assets that should have been reported on the Form 706. Executor submits an amended Form 706, and a fraud penalty at the rate of 50%, rather than 75%, will apply to the deficiency in estate tax resulting from the omitted assets.
 - b. **Non-File:** Executor of Estate intentionally failed to file a required Form 706, U.S. Estate Tax Return, for year 201X. Executor files a Form 706, and a fraud penalty at the rate of 50%, rather than 75%, will apply to the deficiency in estate tax resulting from the fraudulent failure to file the return.
 - c. **Valuation:** Executor of Estate filed a Form 706, U.S. Estate Tax Return, for year 201X. Executor intentionally reported a fraudulent value on the return. Executor submits an amended Form 706, and a fraud penalty at the rate of 50%, rather than 75%, will apply to the deficiency in estate tax resulting from the fraudulent value.
 - d. **Gifts/Deductions/Exclusion/Credits/Tax:** Executor of Estate filed a Form 706, U.S. Estate Tax Return, for year 201X. Executor intentionally reported fraudulent lifetime gifts, deductions, exclusion, credit and/or total transfer tax on the return. Executor submits an amended Form 706, and a fraud penalty at the rate of 50%, rather than 75%, will apply to the deficiency in estate tax resulting from the fraudulent reporting on the return.

4.63.3.18.14.1.1
(04-27-2021)

Gift Tax and Generation-Skipping Transfer Tax Penalties

- (1) A civil fraud penalty or a fraudulent failure to file penalty, IRC sections 6663 or 6651(f), respectively, will apply to the deficiency in gift tax and generation-skipping transfer tax for all voluntary disclosures involving gift tax and generation-skipping transfer tax issues.
- (2) If the fraudulent activity or reporting involves multiple years, the 6-year disclosure period does not apply. The taxpayer submits original and/or amended returns for all years, and a fraud penalty is assessed on the year with the highest tax liability and no accuracy-related penalties for the other years. The following example relates to gift tax penalties involving multiple years.

Example: Donor makes gifts for 9 years from 201X to 201X and intentionally failed to file Forms 709, United States Gift (and Generation-Skipping Transfer) Tax Return, for all years. Donor files Forms 709 for all 9 years, and a fraud penalty applied at the rate of 75% is assessed on the year with the highest tax liability, and no accuracy-related penalties for the other years.

- (3) If the fraudulent activity involves a single year, a fraud penalty at the rate of 50%, rather than 75%, will apply to the deficiency in gift or generation-skipping transfer tax resulting from the fraudulent activity.
- (4) The examples that relate to estate tax penalties apply to a donor with respect to gifts, and with respect to generation-skipping transfer tax distributions and terminations.

4.63.3.18.14.2
(04-21-2025)

Employment Tax – VDP Penalty Framework

- (1) **Employment tax liabilities, penalties, and interest:** A civil fraud penalty or a fraudulent failure to file penalty, IRC 6663 or IRC 6651(f), respectively, will apply to the tax quarter of the voluntary disclosure with the highest employment tax liability. The application of a single fraud or fraudulent failure to file penalty assumes that all terms of VDP are complied with. The single fraud penalty is in lieu of accuracy-related penalties (IRC 6662) and delinquency penalties (IRC 6651(a)(1) and (2)). The failure to deposit penalty under IRC 6656 will apply when it is normally applicable. The calculation of the employment tax liability will be made without regard to IRC 3509(a) or (b) rates. The applicable supplemental income tax withholding rate will be applied in cases where the employer failed to deduct and withhold income tax from employees' wages. Relief under Section 530 of the Revenue Act of 1978 is unavailable. Suspension of interest provisions of IRC 6205 will not apply. Acceptance into VDP and execution of a closing agreement does not obviate the taxpayer's obligations, if any, pursuant to IRC 6051 to file Forms W-2, Wage and Tax Statement, or Forms W-2c, Corrected Wage and Tax Statement, with the Social Security Administration reporting adjustments contained in the closing agreement; however, no amount will be reported in Box 1 of Forms W-2c.
- (2) The following examples relate to how the amount of employment tax will be calculated and the application of employment tax penalties:
 - a. **Taxpayer failed to treat one or more workers as employees and failed to withhold and remit federal employment tax:** One fraud penalty on the tax quarter with the highest tax liability and no accuracy-related penalties for all other quarters; failure to deposit penalty applied for all periods; tax liability calculated without regard to IRC 3509 with the

income tax liability calculated using the supplemental income tax withholding rate applicable for the periods at issue.

- b. **Taxpayer failed to include in employees' wages all remuneration for employment:** One fraud penalty on the tax quarter with the highest tax liability and no accuracy-related penalties for all other quarters; failure to deposit penalty applied for all periods.
- c. **Taxpayer failed to obtain taxpayer identification numbers from payees before making a reportable payment or failed to withhold income tax when required:** One fraud penalty or fraudulent failure to file (in the case of non-filed Forms 945, Annual Return of Withheld Federal Income Tax) on the tax year with the highest tax liability and no accuracy-related penalties for all other years; failure to deposit penalty applied for all periods.
- d. **Taxpayer submits delinquent returns:** One fraudulent failure to file penalty on the tax quarter with the highest tax liability with no delinquency penalties on the other periods; failure to deposit penalty applied for all periods.
- e. **Taxpayer submits three years of delinquent returns and three years of amended returns (24 tax quarters in total):** A single penalty for either fraud or fraudulent failure to file on the tax quarter with the highest tax liability and no accuracy-related or delinquency penalties on the other periods; failure to deposit penalty applied for all periods.

4.63.3.18.14.3
(04-27-2021)

**Excise Tax – VDP
Penalty Framework**

- (1) Penalties relating to excise taxes will not be automatically asserted and will be handled based upon the facts and circumstances of the case.

4.63.3.18.14.4
(04-27-2021)

**Tax Exempt/Government
Entities – VDP Penalty
Framework**

- (1) Penalties relating to tax exempt/government entities taxes will not be automatically asserted and will be handled based upon the facts and circumstances of the case.

Exhibit 4.63.3-1 (04-27-2021)

Voluntary Disclosure Practice Flow Chart Revocation Process



