INTERNAL REVENUE SERVICE

IRS News Release

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IRS Committed to Stopping Offshore Tax Cheating; Remains on "Dirty Dozen" List of Tax Scams for 2017

IRS YouTube Videos:
Dirty Dozen – English | Spanish | ASL

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WASHINGTON — The Internal Revenue Service today said avoiding taxes by hiding money or assets in unreported offshore accounts remains on its 2017 list of tax scams known as the "Dirty Dozen."

Since the first Offshore Voluntary Disclosure Program (OVDP) opened in 2009, there have been more than 55,800 disclosures and the IRS has collected more than $9.9 billion from this initiative alone.

In addition, another 48,000 taxpayers have made use of separate streamlined procedures to correct prior non-willful omissions and meet their federal tax obligations, paying approximately $450 million in taxes, interest and penalties. The IRS conducted thousands of offshore-related civil audits that resulted in the payment of tens of millions of dollars in unpaid taxes. The IRS has also pursued criminal charges leading to billions of dollars in criminal fines and restitutions.

"Offshore compliance remains a top IRS priority. We've collected $10 billion in back taxes in recent years with 100,000 taxpayers making use of our voluntary disclosure programs," said IRS Commissioner John Koskinen. "The IRS receives more foreign account information each year, making it harder to hide income offshore. I urge taxpayers with international tax issues to come forward and get right with the system."

Compiled annually, the "Dirty Dozen" lists a variety of common scams that taxpayers may encounter anytime, but many of these schemes peak during filing season as people prepare their tax returns or hire people to help with their taxes.

Illegal scams can lead to significant penalties as well as interest and possible criminal prosecution. The IRS Criminal Investigation Division works closely with the Department of Justice to shut down scams and prosecute the criminals behind them.

Hiding Income Offshore

Over the years, numerous individuals have been identified as evading U.S. taxes by attempting to hide income in offshore banks, brokerage accounts or nominee entities. Then access the funds using debit cards, credit cards or wire transfers. Others have employed foreign trusts, employee-leasing schemes, private annuities or insurance plans for the same purpose.

The IRS uses information gained from its investigations to pursue taxpayers with undeclared accounts, as well as bankers and others suspected of helping clients hide their assets overseas.

While there are legitimate reasons for maintaining financial accounts abroad, there are reporting requirements that need to be fulfilled. U.S. taxpayers who maintain such accounts and who do not comply with reporting requirements are breaking the law and risk significant fines, as well as the possibility of criminal prosecution.

Since 2009, tens of thousands of individuals have come forward to voluntarily disclose their foreign financial accounts, taking advantage of special opportunities to comply with the U.S. tax system and resolve their tax obligations. And, with new foreign account reporting requirements being phased in over the next few years, hiding income offshore is increasingly more difficult.

At the beginning of 2012, the IRS reopened the Offshore Voluntary Disclosure Program following continued strong interest from taxpayers and tax practitioners after the closure of the 2011 and 2009 programs. This program will be open for an indefinite period until otherwise announced.

Third-Party Reporting

Under the Foreign Account Tax Compliance Act (FATCA) and the network of intergovernmental agreements between the U.S. and partner jurisdictions, automatic third-party account reporting has entered its second year. The IRS continues to receive more information regarding potential non-compliance by U.S. persons because of the Department of Justice's Swiss Bank Program. This information makes it less likely that offshore financial accounts will go unnoticed by the IRS.

Potential civil penalties increase substantially if U.S. taxpayers associated with participating banks wait to apply to OVDP to resolve their tax obligations.