



Report: IRS Assumes All Individuals With Offshore Accounts Are Suspect of Fraudulent Activity

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The Taxpayer Advocate Service, a division of the IRS, says the agency assumes individuals with offshore accounts are suspect of fraudulent activity.

"The National Taxpayer Advocate has previously raised a number of issues regarding implementation of the Foreign Account Tax Compliance Act (FATCA) and the IRS's international withholding and refund policies," the division states in its report to Congress.

This act, according to the IRS, is an effort to prevent tax evasion by individuals who have financial assets and other accounts offshore. For those who have assets more than \$50,000 offshore, the act requires that they report information about them on their tax return.

The National Taxpayer Advocate says individuals who are subject to this law are treated by the IRS as if they are suspected of fraud: "Lacking either statistically valid data or analytical justification, the IRS has adopted a coercive approach to international taxpayers, reflecting an assumption that all such taxpayers are suspect of fraudulent activity."

"Financial organizations face substantial record-keeping burdens and economic risks as a result of the manner in which the IRS has implemented FATCA," the report continues. "This has prompted some financial organizations and their representatives to energetically seek repeal of the legislation."

In addition, "A return by the IRS from its current withholding and enforcement orientation to its prior information gathering approach would reduce the burdens placed on FFIs and potentially minimize some of the remaining FATCA opposition."

Chris Edwards, director of Tax Policy Studies at the Cato Institute, says the act should be repealed: "Not just the IRS, but Congress, seems to assume that Americans are guilty just because they hold foreign financial accounts. But holding foreign accounts is integral to international business activities and foreign trade. FATCA is a bureaucratic abomination, and should be repealed."