TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Additional Actions Are Needed to Address Non-Filing and Non-Reporting Compliance Under the Foreign Account Tax Compliance Act

April 7, 2022

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HIGHLIGHTS: Additional Actions Are Needed to Address Non-Filing and Non-Reporting Compliance Under the Foreign Account Tax Compliance Act

Final Audit Report issued on April 7, 2022 **Report Number 2022-30-019**

Why TIGTA Did This Audit

While taxpayers can hold offshore accounts for a number of legitimate reasons, some taxpayers have also used such accounts to hide income and evade taxes. The passage of the Foreign Account Tax Compliance Act (FATCA) sought to reduce tax evasion by creating greater transparency and accountability with respect to offshore accounts and other assets held by U.S. taxpayers.

This audit was initiated to evaluate the IRS's efforts to use information collected under FATCA to improve taxpayer compliance.

Impact on Tax Administration

Individual taxpayers are required to file Form 8938, *Statement of Specified Foreign Financial Assets*, with their income tax returns if the aggregate value of the assets exceeds certain dollar thresholds. Foreign financial institutions (FFI) are required to File Form 8966, *FATCA Report*, to report information about financial accounts in which U.S. taxpayers hold certain "ownership interests."

The IRS established Campaign 896 - Offshore Private Banking, to address tax noncompliance related to taxpayers' failure to report income generated and information reporting associated with offshore banking accounts, and Campaign 975 - FATCA Filing Accuracy, which seeks to identify the FFIs that maintain specified foreign financial accounts for U.S. individuals but did not submit Form 8966.

What TIGTA Found

Due to resource limitations, the IRS has significantly departed from its original comprehensive FATCA Compliance Roadmap in favor of a more limited compliance effort. As part of its effort, the Large Business and International (LB&I) Division established two campaigns to identify noncompliance with the individual and FFI provisions of FATCA. The chart below reflects nearly $574 million of FATCA-related implementation and maintenance costs compared against the LB&I Division's campaign compliance results from the IRS's systemic approach to address FATCA noncompliance, as well as FATCA-related assessments from field examinations.

Costs of FATCA Implementation (2010 – 2020):	$574 million
Campaign Compliance Activity:	847 Letters
Assessments From Campaign Compliance Activity:	$0
Assessments From Other Compliance Activity:	$14 million
Increased Compliance Due to Information Reporting:	Unknown

Campaign 896 - Offshore Private Banking (related to individual taxpayers) has been able to complete a review of FATCA forms filed for Tax Years 2017 and 2018; the LB&I Division issued 830 "education letters" and five "soft letters" (soft letters do not necessarily result in compliance action) for Tax Year 2018. Initially, Campaign 896 focused only on taxpayers who have underreported their foreign assets on the Forms 8938 and more recently started to plan to address taxpayers who have not filed Forms 8938. IRS data show there are over 330,000 U.S. taxpayers from 2016 to 2019 who failed to file Form 8938, each with foreign accounts over $50,000. Potentially, these taxpayers would have owed at least $10,000 each in FATCA-related penalties, for a total of $3.3 billion in penalties. A portion of this population could be due to errors in IRS data, misreporting, or failure to file due to reasonable cause, which would reduce the total subject to penalties.

Campaign 975 - FATCA Filing Accuracy (related to the FFIs) has been able to fully review only Tax Year 2016 cases. For Tax Year 2016, the IRS concluded that the majority of the FFIs identified for potential noncompliance were in fact compliant. Only 12 "soft letters" were sent out between November 2019 and October 2020.

What TIGTA Recommended

TIGTA made six recommendations to help the IRS address non-filing and non-reporting compliance under FATCA. The IRS agreed to consider expanding the scope of Campaign 975 to address noncompliance by the FFIs from Intergovernmental Agreement countries, and to establish goals, milestones, and timelines for FATCA campaigns. IRS officials indicated that they have already implemented most of the other recommendations; however, they did not agree to issue a notice to countries with Model 1 Intergovernmental Agreements.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

April 7, 2022

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Additional Actions Are Needed to Address Non-Filing and Non-Reporting Compliance Under the Foreign Account Tax Compliance Act (Audit # 202030010)

This report presents the results of our review to evaluate the Internal Revenue Service's efforts to use information collected under the Foreign Account Tax Compliance Act[1] to improve taxpayer compliance. This review was part of our Fiscal Year 2021 Annual Audit Plan and addresses the major management and performance challenge of *Improving Tax Reporting and Payment Compliance*.

Management's complete response to the draft report is included as Appendix II.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. If you have any questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

[1] Pub. L. No. 111-147, Subtitle A, 124 Stat 97 (2010) (codified in scattered sections of 26 U.S.C.).

Table of Contents

Background

U.S. taxpayers, regardless of whether they live in the United States or abroad, are required to report and pay applicable taxes on worldwide income to the Internal Revenue Service (IRS), including income from offshore accounts and other assets. While taxpayers can hold offshore accounts for a number of legitimate reasons, some taxpayers have also used such accounts to hide income and evade taxes. The IRS does not have an estimate of the revenue loss due to offshore noncompliance. As of September 2019, the IRS estimates the average gross Tax Gap at $441 billion per year for Tax Years (TY)[1] 2011 to 2013, of which $245 billion was from individual underreporting.[2] The IRS has stated that the Tax Gap numbers do not likely measure all international noncompliance due to certain limitations.[3] The IRS has not developed a reliable estimate of the international Tax Gap. Non-IRS estimates of the international Tax Gap have varied widely (from $40 billion to $123 billion annually), though these numbers are dated, and the international Tax Gap is likely much higher now.[4]

The Foreign Account Tax Compliance Act (FATCA) was intended to reduce tax evasion by creating greater transparency and accountability with respect to offshore accounts and other assets held by U.S. taxpayers.[5] Congress passed FATCA as an offset provision in March 2010 as part of the Hiring Incentives to Restore Employment Act of 2010.[6] The purpose of FATCA is to improve visibility into taxable income from foreign sources and help the IRS identify noncompliance by U.S. taxpayers using undisclosed foreign accounts and foreign assets. When the law passed in March 2010, the Congressional Joint Committee on Taxation estimated that revenue from FATCA would be $8.7 billion from Fiscal Years (FY) 2010 to 2020, so FATCA should have already generated this $8.7 billion in tax revenues by the end of FY 2020.[7] As we subsequently point out, the IRS has not come close to building the compliance plan that was originally contemplated.

Individual taxpayers – The FATCA requirement for individual taxpayers to report specified foreign financial assets to the IRS is established under Internal Revenue Code (I.R.C.) § 6038D.[8] This requirement is met when individual taxpayers file Form 8938, *Statement of Specified*

[1] A tax year is a 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.

[2] The Tax Gap is defined as the estimated difference between the amount of tax that taxpayers should pay and the amount that is paid voluntarily and on time.

[3] For example, the Tax Gap as measured by the IRS's Research, Applied Analytics, and Statistics function does not incorporate activities from taxpayers with foreign addresses or foreign businesses.

[4] Treasury Inspector General for Tax Administration, Report No. 2009-IE-R001*, A Combination of Legislative Actions and Increased IRS Capability and Capacity Are Required to Reduce the Multi-Billion Dollar U.S. International Tax Gap* p. 4 (Jan. 2009).

[5] Pub. L. No. 111-147, Subtitle A, 124 Stat 97 (2010) (codified in scattered sections of 26 U.S.C.).

[6] Pub. L. No. 111-147, 124 Stat. 71 (2010) (codified in scattered sections of 16, 23, 26, and 49 U.S.C.).

[7] A fiscal year is any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.

[8] The legislation states that a specified person means specified individual or specified domestic entity. For purposes of this report, individual taxpayer is used instead of specified person.

Foreign Financial Assets, with their income tax returns if the aggregate value of the assets exceeds certain dollar thresholds.[9] Specified foreign financial assets include financial accounts maintained by a foreign financial institution (FFI); stocks, securities, financial instruments, and contracts issued by a person other than a U.S. person; and any interest in a foreign entity. More specifically:

- For a foreign financial account, individual taxpayers are required to report the name and address of the financial institution in which the financial account is maintained as well as the account number.
- For any stock or security, the name and address of the issuer, as well as information necessary to identify the class or issue of which the stock or security is a part, must be reported.
- In the case of any other financial instrument, contract, or interest in a foreign entity, the names and addresses of all issuers and counterparties must be reported, together with the information necessary to identify the instrument, contract, or interest.

The maximum value of each specified foreign financial asset during the taxable year must also be reported. The reporting thresholds vary based on filing status and where the taxpayer resides. The IRS began accepting Form 8938 filings from individual filers in January 2012 for TY 2011 and from domestic entities in January 2017 for TY 2016.

FFIs – Under FATCA, to avoid being subject to a 30 percent withholding rate on U.S. source payments made to them, the FFIs must register with and agree to report to the IRS certain information about their accounts owned by U.S. taxpayers, including the accounts of foreign entities with substantial U.S. ownership. The FFIs report this account information on Form 8966, *FATCA Report*. If the FFI fails to certify as required, this could cause termination of the entity's FATCA status and result in the FFI's Global Intermediary Identification Number (GIIN) being removed from the FFI list, which would then subject the FFI to the 30 percent withholding requirement.[10] Certain FFIs can also elect to be subject to the same reporting as U.S. financial institutions. In this case, the FFI would file the appropriate Form 1099 series return (*e.g.*, 1099-DIV, *Dividends and Distributions;* 1099-INT, *Interest Income;* 1099-MISC, *Miscellaneous Income*) in lieu of Form 8966.[11] Figure 1 shows information on potential FFIs that elected to be subject to the same reporting as U.S. financial institutions and filed a Form 1099. IRS management did not have an explanation for the significant drop from TY 2018 to TY 2019.

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[9] The foreign financial asset value as calculated on the last day of the tax year or at any time during the tax year.

[10] The GIIN is a 19-character identification number that is assigned to institutions and entities that can be used to identify them to withholding agents and tax administrators for FATCA reporting purposes.

[11] There are six Forms 1099 with the FATCA indicator. For Tax Year 2021, the title on Form 1099-MISC is *Miscellaneous Information*.

Figure 1: Payers and Volume of Filed Forms 1099 With the FATCA Indicator[12]

FY	Number of FFIs	Number of Forms 1099
2016	69,512	814,938
2017	134,990	753,247
2018	155,860	798,079
2019	4,776	416,079
2020	1,255	335,011

Source: FATCA information provided by the IRS's Large Business and International (LB&I) Division.

Intergovernmental agreements (IGAs) – Due in part to jurisdictional privacy laws that prevent some FFIs from reporting account information directly to the IRS, the U.S. Department of the Treasury negotiated with some foreign governments to establish the IGAs. The IGAs establish a framework for implementing FATCA and remove impediments to reporting account information. The IGAs include a provision for the FFIs to report directly to the IRS or through their host country tax authority (HCTA) to the IRS. There are two types of the IGAs, Model 1 and Model 2, which have been designed for foreign governments to enter into an agreement with the U.S. Department of the Treasury. As of June 19, 2020, there were 99 Model 1 IGAs and 14 Model 2 IGAs.

- For a Model 1 IGA, an FFI will report U.S.-related account information to its HCTA, which in turn will exchange the information with the IRS in accordance with the IGA.[13]
- For a Model 2 IGA, an FFI is directed to comply with the terms of the FFI agreement with the IRS and will report U.S.-related account information directly to the IRS in a manner consistent with FATCA regulations and the applicable Model 2 IGA.

One of the reporting requirements of Participating Foreign Financial Institutions (PFFI) is met by electronically filing Form 8966 annually with the IRS. The IRS began accepting Form 8966 in January 2015.

Withholding agents – Withholding agent requirements are met under FATCA by withholding 30 percent on payments of U.S. source income to:

- Non-PFFIs and certain passive nonfinancial foreign entities.
- Any account holder of a PFFI that fails to provide:
    - The information required to determine their U.S. or non-U.S. status.

[12] These filers are not all FFIs because the IRS has not cross-referenced the name of payers in the Form 1099 population to the FATCA registration portal.

[13] Model 1 IGAs can be either reciprocal or nonreciprocal. Under a nonreciprocal Model 1 IGA, the HCTA will provide certain information about foreign financial accounts held by U.S. taxpayers to the IRS. Under a reciprocal Model 1 IGA, the HCTA will provide certain information about foreign financial accounts held by U.S. taxpayers to the IRS, and the IRS will provide certain information about U.S. financial accounts held by foreign taxpayers to the HCTA.

- The information required to be reported by the FFI.
- A waiver based on a foreign law that would prevent reporting to the IRS.[14]

Withholding agents report payments and amounts withheld on Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*, and Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*. Information required to be reported includes the name, address, Taxpayer Identification Number (TIN), and Chapter 4 status (applicability of FATCA withholding) of each payee; the gross amount paid; the tax withheld; and the identifying information of the withholding agent.[15] Withholding on U.S. fixed, determinable, annual, or periodical income payments to the FFIs, nonfinancial foreign entities, and direct account holders of the PFFIs began on July 1, 2014.

Costs of implementing FATCA – In a FY 2018 Treasury Inspector General for Tax Administration (TIGTA) report, we reported that, despite spending almost $380 million on FATCA compliance, the IRS had taken limited or no action on a majority of the planned activities outlined in the FATCA Compliance Roadmap.[16] We reported that the records filed by the FFIs did not include (or included invalid) TINs. As a result, the IRS's efforts to match the FFI and individual taxpayer data were unsuccessful, which affected the IRS's ability to identify and enforce FATCA requirements for individual taxpayers.

Since the release of that report, we have determined that the IRS has spent an additional $193 million on FATCA compliance for FYs 2018, 2019, and 2020, bringing the total spent thus far to more than $573 million dollars as shown in Figure 2.

Figure 2: FATCA Costs of Implementation for FYs 2010 Through 2020

FY	Non–Information Technology Costs	Information Technology Costs	Total Costs
Prior Report	$157,634,992	$222,138,813	$379,773,805
2018	$30,647,271	$56,102,053	$86,749,324
2019	$27,430,231	$35,336,699	$62,766,930
2020	$10,580,933	$33,772,882	$44,353,815
Total	**$226,293,427**	**$347,350,447**	**$573,643,874**

Source: Cost information provided by the IRS's LB&I Division.

According to IRS officials, when FATCA was enacted in March 2010, it took a significant effort on the part of the Treasury Department, the State Department, and the IRS to implement FATCA, given that most countries would not allow their financial institutions to disclose information regarding account holders, regardless of residency or nationality, to the IRS. In addition, a new secure digital platform enabling transmission of information to/from the IRS had to be designed

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[14] The U.S. source income rules are contained in I.R.C. §§ 861 through 865. Income tax treaties can sometimes modify these rules.

[15] A TIN is a nine digit number assigned to taxpayers for identification purposes. Depending upon the nature of the taxpayer, it can be an Employer Identification Number, a Social Security Number, or an Individual Taxpayer Identification Number.

[16] TIGTA, Report No. 2018-30-040, *Despite Spending Nearly $380 Million, the Internal Revenue Service Is Still Not Prepared to Enforce Compliance With the Foreign Account Tax Compliance Act* p. 5 (July 2018).

and built. Further, the Hiring Incentives to Restore Employment Act of 2010 did not include funding to implement FATCA and the reporting of information was delayed until the rules could be written, the IGAs concluded, the safeguarding of information was acceptable, and the systems could be designed and built.

The FATCA Compliance Roadmap, which was finalized in January 2016, was comprehensive in the sense that the IRS planned to enforce all aspects of FATCA provisions. As described in the Roadmap:

> *The approach to the development of the FATCA Compliance Roadmap involved IRS-wide engagement of multiple IRS organizations which contributed compliance insights and expertise that addressed compliance opportunities and challenges presented by FATCA.*

The IRS has since departed from the FATCA Compliance Roadmap in favor of a more limited compliance effort, part of which involves the two LB&I Campaigns and field examinations. The LB&I Division is the primary function in charge of implementing FATCA compliance. As such, it has established two compliance campaigns to test compliance with FATCA provisions for both individuals and the FFIs, as well as ad hoc field examinations. A recent Government Accountability Office audit addressed why the IRS is no longer focused on the Roadmap, stating:

> *According to what the IRS told us, with the passage of time and as FATCA is becoming more integrated into agency operations, it has moved from updating the broad strategy documents [such as the FATCA Roadmap] to working on compliance campaigns that incorporate FATCA into overall tax administration.*

Additionally, in May 2021, Barry Johnson, Acting Chief, IRS Office of Research, Applied Analytics, and Statistics, presented testimony to the Senate Finance Subcommittee and stated that, based on preliminary analysis of reporting for TY 2017, there are $3.7 trillion in assets abroad, $2 trillion of which is located in countries known to be used by taxpayers for tax evasion purposes.[17] LB&I Division campaigns are intended to test compliance in various areas, allowing the IRS to expand resources to areas in which it appears taxpayers are substantially noncompliant or reduce resources from areas in which it appears taxpayers are substantially compliant. There are currently 57 active LB&I Division campaigns, of which two relate to FATCA compliance.

Results of Review

The LB&I Division announced Campaign 896 (titled "Offshore Private Banking") in March 2019 with the objective to identify taxpayers who have not fully reported their foreign bank account holdings on Forms 8938. The LB&I Division also announced Campaign 975 (titled "FATCA Filing Accuracy") in October 2018 with the objective to identify the FFIs that maintain specified foreign financial accounts for U.S. specified persons but did not submit Form 8966. This review covers

[17] *Closing the Tax Gap: Lost Revenue from Noncompliance and the Role of Offshore Tax Evasion, Hearing Before the Subcommittee on Taxation and IRS Oversight,* 117th Cong. (2021) (statement of Barry Johnson, Acting Chief, IRS Office of Research, Applied Analytics, and Statistics).

the two LB&I Division campaigns related to FATCA compliance as well as the limitations with FATCA data.

FATCA Compliance by Foreign Financial Institutions

Figure 3 shows that, from TY 2016 to TY 2019, the IRS received 34,152,420 Forms 8966 from the FFIs, of which 87 percent were from Model 1 IGA countries and 9 percent were from Model 2 IGA countries.

Figure 3: Forms 8966 Received by the IRS for TYs 2016 Through 2019[18]

TY	Approved FATCA Entities	Count of Unique Filer GIINs	Model 1 Records Received	Model 2 Records Received	Direct Filing Institutions Records Received	Records Received With No IGA Code	Total Forms 8966 Received by the IRS
2016	267,707	64,270	5,840,056	825,220	244,565	8,471	6,918,578
2017	297,393	70,359	9,041,242	658,013	361,099	192	10,062,772
2018	324,059	77,651	7,602,561	852,876	414,513	316	8,876,609
2019	349,844	42,718	7,256,714	655,902	379,915	225	8,294,461
Total	-	-	**29,740,573**	**2,992,011**	-	**9,204**	**34,152,420**
Percentage	100%	21%	87%	9%	4%	0.03%	100%

Source: Information provided by the IRS from its International Compliance Management Model (ICMM) and Compliance Data Warehouse.

The peak Form 8966 filings were in TY 2017 with over 10 million, which then decreased by 1,186,163 (12 percent) in TY 2018, followed by a 582,148 (6.5 percent) decrease in TY 2019. When we discussed this decrease from TY 2017 to TY 2018 with the IRS, IRS management stated that the TY 2017 count is inflated because errors in a new schema for submitting Forms 8966 resulted in increased amendments and voids to the total record count.[19] Figure 4 shows the number of valid and invalid TINs received each year. Only 44 percent of the Forms 8966 the IRS received contained a valid TIN, while the remaining 56 percent contained an invalid TIN or had no TIN.[20]

[18] This information was received as of June 2021. The drop in TY 2019 GIIN submissions is largely due to one jurisdiction's implementation of a new portal for FATCA that experienced problems sending files. This figure would not represent a total because most of these entities are the same entities that were in approved status since TY 2016.

[19] Defines the elements that a file may contain and provides a specific structure for submitting FATCA data to the IRS.

[20] For purposes of this document, a valid TIN is a TIN found in the Social Security Database.

Figure 4: Forms 8966 With Valid or Invalid TINs for TYs 2016 Through 2019[21]

TY	Unique Taxpayer Name	Forms 8966 Received by the IRS	Blank TINs	Invalid TINs	Valid TINs	Valid TINs Unique Taxpayer Count
2016	2,500,810	6,918,578	604,363	3,192,963	3,120,986	1,087,952
2017	2,908,556	10,062,772	1,615,364	4,567,239	3,877,943	1,225,977
2018	3,182,508	8,876,609	153,024	4,491,563	4,225,679	1,375,726
2019	2,936,316	8,294,461	55,541	4,281,814	3,955,401	1,286,886
Total	-	**34,152,420**	**2,428,292**	**16,533,579**	**15,180,009**	**4,976,521**
Percentage		100%	7%	48%	44%	

Source: Information provided by the IRS's LB&I Division.

The IRS was unable to provide accurate bank account balances for the taxpayers reported on these Forms 8966 because of significant known issues with the data, such as currency conversion and decimal point location errors.

The IRS provided optional codes for TINs that reduce FFI compliance with FATCA requirements to report TINs for TY 2020

Previously, TIGTA reported that the FFIs continued to submit incorrect data.[22] The files received by the IRS from the FFIs containing Form 8966 records are processed first through the International Data Exchange Service (IDES) and then through the ICMM. Alerts and notifications are issued for every file submission received. If submission errors are identified by the IDES or the ICMM, they are explained on the related alert or notification.[23] An alert, issued by the IDES, will contain a general description of the cause for file rejection. A notification issued by the ICMM will provide an overview of the error, the cause for file rejection, and the potential resolution. The FFIs have 120 days from the date an alert or notification was sent to resolve the issues that caused the IDES or the ICMM to reject the file.

As Figure 5 reflects, 55 percent of Forms 8966 received passed all IDES and ICMM validity checks. Of the remaining Forms 8966 that failed, 39 percent of those were resolved, while 61 percent were not resolved.

[21] Due to rounding issues, the total percentage adds up to 99.97%.

[22] TIGTA, Report No. 2018-30-040, *Despite Spending Nearly $380 Million, the Internal Revenue Service Is Still Not Prepared to Enforce Compliance With the Foreign Account Tax Compliance Act* p. 7 (July 2018).

[23] Errors identified when the IDES system performs various actions on received files to assess the overall integrity of the file.

Figure 5: Status and Count of Forms 8966 Received[24]

Status	Count	Percentage
Passed	20,334,730	55%
Failed	16,853,707	45%
Total	37,188,437	100%
Failed Validations		
Resolved	6,582,379	39%
Unresolved	10,271,328	61%
Total	16,853,707	100%

Source: FATCA data information provided by the IRS's LB&I Division.

IRS management noted that 3,640,018 of the failed validations in unresolved status did not need to be fixed. According to the IRS, a duplicate record would receive an error but does not need to be fixed. Required information reported on Form 8966 includes the name, address, and TIN of each account holder who is a U.S. person;[25] the account number; the account balance or value; and the gross receipts and gross withdrawals or payments from the account. While notifications were sent to the HCTAs for the data errors, no other type of compliance action or penalties were imposed for FFI noncompliance.[26] Prior to March 2018, IRS management noted that the ICMM did not have the ability to link a correcting or amending record with the original record to which it was related, resulting in unresolved errors. There are instances in which an FFI corrects an error but does not follow the proper process of correcting or amending a record. This scenario would occur when an FFI submits a new record instead of a corrected or amended record. If this occurs, the ICMM cannot change the original error status to "resolved" even though the ICMM has the corrected or amended data. However, the IRS does not track instances in which the ICMM houses the corrected data while not changing the status of the original record from unresolved to resolved status.

Figure 3 showed that 87 percent of the Forms 8966 received came from Model 1 FFIs. The majority of these unresolved record-level errors came from Model 1 FFIs. In September 2017, the IRS issued a notice which stated that Model 1 FFIs would not be considered noncompliant for a failure to obtain and report the TIN of a U.S. preexisting account holder in Calendar Years 2017, 2018, and 2019 provided other criteria were met. For TY 2019, the IRS provided an extension of time to file Forms 8966 for Model 1 (December 31, 2020) and Model 2 (July 15, 2020) IGAs due to the Coronavirus Disease 2019 pandemic. In TY 2020, the IRS did not provide an extension but will take into account the facts and circumstances leading to the absence of the TIN before considering the FFIs significantly noncompliant due to a failure to report each required U.S. TIN. In certain cases, the FFIs are required to close foreign accounts within a reasonable period of time if they are unable to obtain the required information on the

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[24] Form 8966 filings from January 15, 2015, through May 19, 2021.

[25] A specified U.S. person is any person who is a citizen or resident of the United States, a domestic partnership or corporation; a trust subject to U.S. law; or any estate other than a foreign estate.

[26] Errors identified on the individual FATCA account within files that have passed the submission processing stage.

account holder. A reporting Model 1 FFI is not required to immediately close or withhold on accounts that do not contain a TIN beginning January 1, 2020.

The IRS conducted follow-ups with the Model 1 jurisdictions regarding their errors caused by missing TINs, including directly corresponding with jurisdictions regarding the top three to four errors for each of its FFIs and conducting more extensive follow-ups regarding missing TINs or dates of birth.[27] However, for TY 2020 and later years' data, the IRS provided Model 1 FFIs with optional TIN codes for common scenarios in which the FFIs could not provide a TIN.[28] Analysis of the use of such codes cannot be conducted until after the TY 2020 data are received (September 30, 2021). The IRS is developing its plans to utilize this optional TIN code data in its analytic and compliance activities for TY 2021 and future years while taking into account available resources.

While IRS management explained that use of these codes does not provide relief from failing to provide a TIN, we are concerned these optional codes may result in the FFIs continuing to not provide a TIN, which limits the impact of FATCA. Moreover, as we subsequently discuss in greater detail, having taxpayers' TINs on FFI Forms 8966 is vitally important to the IRS's compliance efforts, because the IRS must have a way to match the information provided by the FFI with the information provided by the taxpayer.

The IRS started terminating noncompliant FFIs from the FATCA program in FY 2019

There were 379,919 FFIs that registered to participate in the FATCA program as of March 2021, while only 94,531 (25 percent) of those registered have filed a Form 8966 with the IRS. However, not all FFIs registered to participate in the FATCA program are required to file a Form 8966. For example, if an FFI does not have any reportable payments or has not met the threshold requirements, it is not required to file Form 8966.[29] However, some FFIs that registered are required to submit periodic certifications to the IRS. The initial periodic certification will cover three full calendar years plus the time from the effective date of the FFI agreement. The FFIs in Model 2 and non-IGA jurisdictions generally have a FATCA certification requirement while the FFIs in Model 1 jurisdictions generally do not have a FATCA certification requirement, with a few exceptions.[30] Figure 6 shows the IRS has received 48,257 certifications, with the majority (72 percent) of the certifications in the period ending in December 2017.

[27] TY 2017 and TY 2018 information.

[28] Scenarios that would require an optional TIN code include a preexisting account in which the only indication of it being a U.S. account is a U.S. place of birth for the account holder, or an account that is dormant but above the filing threshold.

[29] Reportable payments are payments made by the FFI to the U.S. person's account, such as interest, dividends, or other income. Threshold requirements is the $50,000 minimum account value.

[30] A reporting Model 1 FFI is required to complete FATCA certifications on behalf of its branches operating outside of Model 1 jurisdictions (other than related branches). A periodic certification is required only for a Trustee-Documented Trust that is subject to a Model 2 IGA.

Figure 6: FATCA Certifications From 2017 Through 2019

Certification Period Ending	Model 1 Certifications Received	Model 2 Certifications Received	Non IGA Certifications Received	Total
2017	11,058	18,477	4,982	34,517
2018	2,616	3,684	1,212	7,512
2019	1,704	3,322	1,202	6,228
Total	**15,378**	**25,483**	**7,396**	**48,257**

Source: Information provided by the IRS's LB&I Division.

The IRS started terminating the FFIs from participating in the FATCA program in FY 2019 with 1,166 FFIs having been terminated for certification noncompliance. The IRS terminated FFI participation in the FATCA program for 613 FFIs as of January 2020, with an additional 298 FFIs terminated in April 2021 and 255 terminated in September 2021.

FATCA withholding has increased

As previously noted, if the FFI fails to certify as required, this could cause termination of the entity's FATCA status and the FFI's GIIN being removed from the FFI list, which would then subject the FFI to the 30 percent withholding requirement. Figure 7 shows that in the first year that withholding became required, the IRS collected approximately $138 million in FATCA withholding from withholding agents in TY 2014. In the four years following, with the exception of TY 2015, the IRS has collected more withholding each successive year, with a TY 2018 amount of approximately $536 million, which is equal to 26 percent of the amount subject to withholding. Although the withholding amounts have not equaled the required 30 percent and the LB&I Division FATCA campaigns do not address withholding compliance, FATCA withholding has generally increased year after year. The IRS reiterated that the purpose of FATCA is not to raise revenues through withholding but to encourage the disclosure of foreign bank and brokerage accounts held or controlled by U.S. taxpayers and the disclosure of ownership interests held by U.S. persons in certain foreign entities.

Figure 7: U.S. Income Withheld Under Chapter 4 Withholding[31] for FYs 2014 Through 2018
(withholding amounts are in thousands of dollars)

TY	Forms 1042-S Filed	Income Subject to Withholding	Form 1042-S Tax Withheld	Percentage Withheld	Forms 1042-S With FATCA Withholding	Income Subject to FATCA Withholding	FATCA Tax Withheld	Percentage Withheld
2014	5,191,411	$97,182,339	$16,396,495	17%	7,627	$1,988,567	$138,440	7%
2015	5,364,128	$118,951,484	$18,478,645	16%	72,350	$748,001	$95,006	13%
2016	5,856,440	$101,585,857	$19,759,799	19%	181,397	$2,208,776	$343,952	16%
2017	6,163,736	$120,861,886	$19,884,568	16%	200,593	$2,118,118	$424,483	20%
2018	6,764,217	$131,622,904	$21,937,798	17%	257,324	$2,025,978	$536,236	26%
Total	**29,339,932**	**$570,204,470**	**$96,457,305**	**17%**	**719,291**	**$9,089,440**	**$1,538,117**	**17%**

Source: Information obtained from IRS Statistics of Income website.

[31] The IRS began capturing Chapter 4 data beginning in TY 2014. As of August 2021, TY 2019 totals have not been posted.

Campaign 896 Has Only Recently Undertaken Compliance Actions to Address Potential Underreporters

The purpose of Campaign 896 is to identify individual taxpayers who have not fully reported their foreign bank account holdings. Figure 8 shows that for the four-year period ending TY 2019, the number of Forms 8938 received by the IRS were relatively consistent, peaking at over 474,000 in TY 2017.

Figure 8: Forms 8938 Received by the IRS[32]

TY	Forms 8938 Received by the IRS	Number of Accounts on Part V	Forms 8938 With GIIN
2016	420,904	1,766,252	11,202
2017	474,063	2,012,693	11,887
2018	465,444	1,941,978	12,283
2019	467,145	1,937,439	12,856
Total	**1,827,556**	**7,658,362**	**48,228**

Source: Information provided by the IRS's LB&I Division.

Taxpayers are required to report each foreign account on Part V of Form 8938. A taxpayer may have more than one foreign bank account and would be required to fill out Part V of Form 8938 for each account. Also, in Part V, the taxpayer has the option to report the GIIN of the FFI, although it is not required. As shown in Figure 8, the IRS received 1,827,556 Forms 8938 for TYs 2016 through 2019, and taxpayers reported 7,658,362 bank accounts on those forms, for an average of about four bank accounts per Form 8938.

To identify underreporters, the IRS compares Forms 8938 to their corresponding Forms 8966. Because the FFIs are required to file a Form 8966 for every U.S. person who owns a bank account within given thresholds, the IRS takes the population of Forms 8966 that have been filed and compares them to Forms 8938 that have been filed.[33] FATCA forms for TYs 2017 and 2018 were compared in January 2020 and August 2020, respectively. Figure 9 shows that the LB&I Division compared 470,591 Forms 8938 to the Forms 8966 for TY 2017, and compared 463,102 Forms 8938 to Forms 8966 for TY 2018.

[32] The counts are as of May 2021.

[33] Circumstances in which registered FFIs are not required to file a Form 8966 include when they do not have any accounts with U.S. account holders or when the aggregate value of all depository accounts held, in whole or in part, by individual U.S. account holders does not exceed $50,000.

Figure 9: Number of Forms 8938 and Forms 8966 Compared[34]

TY	Number of Forms 8938 Compared	Number of Forms 8966 Compared
2017	470,591	9,768,521
2018	463,102	7,431,562

Source: Information provided by the IRS's LB&I Division.

As previously shown in Figure 8, only 48,228 out of 1,827,556 Forms 8938 had a valid GIIN. In TYs 2017 and 2018, the TIN fields on Form 8966 were not mandatory in certain circumstances, and the majority of the FFIs did not fill out the TIN or the TIN was invalid. As a result, there are no direct fields to associate all Forms 8938 and 8966. Instead, [redacted][35]

For TY 2017, the IRS selected cases with [redacted] This resulted in 1,078 Forms 8938 as potential cases for further review, with bank account balances totaling $6,629,887,187, as shown in Figure 10. For those 1,078 forms, the IRS sent out 721 education letters to taxpayers as of November 2020. The education letters asked the taxpayers to review their information relevant to Form 8938 and ensure that all required U.S. filings are current, complete, and correct. The taxpayers then have the option to either: 1) request to participate in the Voluntary Disclosure Program; 2) participate in the Streamlined Filing Compliance Procedures, in which the taxpayer can certify that their failure to fully report foreign income and assets and to pay all associated tax due was not willful; or 3) file delinquent or amended returns.[36] Because these were educational letters, the taxpayers were not required to respond. However, there was a 49 percent response rate to these letters. The IRS did not have information on the distribution of the 49 percent response rate, but it has reviewed the responses and made updates to filters and soft letter treatment stream language based on the responses. The IRS also stated that based on taxpayer responses, amended returns have been filed and/or taxpayers have indicated amended returns will be filed. For TY 2018, the IRS decreased the filter result [redacted] This resulted in the IRS identifying 1,205 Forms 8938 for further review. The total bank account value on these forms totaled nearly of $16 billion as shown in Figure 10, whereas

[34] The IRS matched the TY 2017 data in January 2020 and the TY 2018 data in August 2020. As such, the number of Forms 8966 and 8938, reported in Figure 9, reflect the number of forms available at that time and is different from the numbers in Figures 3 and 8, which is as of May and June 2021, respectively.

[35] [redacted]

[36] The Offshore Voluntary Disclosure Program is a voluntary disclosure program specifically designed for taxpayers with exposure to potential criminal liability and/or substantial civil penalties due to a willful failure to report foreign financial assets and pay all tax due in respect of those assets.

the FFIs reported to the IRS $173 billion for total bank account values for these taxpayers, which indicates potential unreported bank accounts or underreported bank account values of approximately $157 billion. [redacted]

Figure 10: Forms 8938 and 8966 Balances of Cases Identified in Campaign 896

TY	Number of Returns Identified	Form 8938 Balance	Form 8966 Balance	Variance[37]
2017	1,078	$6,629,887,187	$106,793,485,576	-$100,163,598,389
2018	1,205	$15,910,283,614	$173,004,733,716	-$157,094,450,102

Source: Information provided by the IRS's LB&I Division.

The IRS stated that the purpose of applying the thresholds was to filter the highest risk cases with larger variances. Campaign 896 was approved to conduct roughly [redacted] exams in TY 2020, and the IRS believes that, once the thresholds are applied, the threshold would produce the appropriate number of examinations. However, due to Coronavirus Disease 2019 concerns and statute of limitation effects for TY 2017, Campaign 896 was unable to conduct any examinations in TY 2020 and instead sent education letters to potentially noncompliant taxpayers. No other actions have been taken to address any significant noncompliance for Campaign 896 for TY 2017.

For TY 2018, we were able to obtain the results of the matches before the IRS applied its thresholds, and we applied our own thresholds to the results. As Figure 11 reflects, by applying the threshold with a variance at least negative [redacted] negative variance total nearly $162 billion, representing nearly 95 percent of the total negative variance amounts.

[37] The variance cannot be accurately gauged without considering what was reported on other information returns, such as Form 5471, *Information Return of U.S. Persons With Respect To Certain Foreign Corporations;* Form 8865, *Return of U.S. Persons With Respect to Certain Foreign Partnerships;* Form 8621, *Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund*; and Form 3520, *Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts.*

Figure 11: Number of Forms 8938 Based on Range for TY 2018

Variance Ranges	Count of Forms 8938	Total Variance
0 to -$200,000	21,443	-$1,183,002,321
-$200,001 to -$500,000	5,398	-$1,728,973,703
-$500,001 to -$1,000,000	2,867	-$2,029,600,841
-$1,000,001 to -$5,000,000	3,167	-$6,740,249,056
-$5,000,001 to -$10,000,000	495	-$3,455,623,993
-$10,000,001 and greater	741	-$156,060,641,137
Total	**34,111**	**-$171,198,091,051**
[redacted]		
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

Source: TIGTA analysis based on information provided from the IRS's LB&I Division.

As of our last update, the IRS had sent a total of 835 letters under Campaign 896. IRS management stated the same process was completed for TY 2019 to determine the letter mail-out population.

Management Actions: Since our fieldwork ended, cases have been sent for examination which are in the early stages and thus have not yet generated specific compliance results that can be shared.

Recommendation 1: The Commissioner, LB&I Division, should consider additional compliance actions for underreporters identified in its matching, including assessing penalties to taxpayers based on the variance amounts or conducting examinations on taxpayers who consistently underreport.

Management's Response: IRS management indicated that the recommendation has been implemented.

Campaign 896 Initially Did Not Address Potential Non-Filers

As stated by the IRS, the purpose of Campaign 896 is to identify individual taxpayers who have not fully reported their foreign bank account holdings. The LB&I Division initially focused the campaign's efforts on taxpayers who have underreported their foreign assets on the Forms 8938 rather than on taxpayers who have not filed Form 8938 but should have.

The LB&I Division matched TYs 2017 and 2018 Forms 8938 to their corresponding Forms 8966 to identify taxpayers who underreported their foreign account holdings. Because the IRS is starting with a Form 8938 that has already been filed by a taxpayer, all individuals included in the campaign will have already been compliant, to some degree, with FATCA provisions. Taxpayers who have not filed at all are not included in the population or matching queries.

In our FY 2018 FATCA report, we recommended that the LB&I Division initiate compliance efforts to address taxpayers who did not file a Form 8938 but who were reported on a

Form 8966 filed by an FFI.[38] The IRS agreed with that recommendation and stated "The IRS will continue our efforts to systemically match Form 8966 and Form 8938 data to identify non-filers and underreporting related to U.S. holders of foreign accounts and to Foreign Financial Institutions." However, based on the IRS's Planned Corrective Actions document, it does not appear that these efforts have been fully implemented. The most recent update to these efforts mentions that this corrective action has been included in Campaign 896, for which a filter was created that is "designed to compare Form 8966 data to what is reported by taxpayers on their individual returns and Form 8938 to identify omissions and understatements of foreign source income and assets." The IRS states that the campaign will continue to identify omissions and understatements on taxpayers who have filed rather than identify non-filers.

TIGTA's FY 2018 FATCA report also states that "…the IRS should also be able to identify individual taxpayers who are not filing Form 8938 when required by comparing Form 8966 data filed by the FFIs and Form 8938 data filed by taxpayers. However, as noted previously, the IRS's efforts to match information between these forms has been significantly hindered, primarily due to the absence of TINs on a high number of Forms 8966." While Campaign 896 has mainly focused on underreporters, the IRS indicates that a filter to identify non-filers of Form 8938 was completed in August of 2021 that identifies taxpayers who are non-filers. The IRS will use these filters on TY 2019 data because it expects greater TIN reporting rates following TY 2018.

Figure 4 shows that there were valid TINs present on roughly 15 million of the Forms 8966 received from TYs 2016 through 2019. These 15 million Forms 8966 contained 4,976,521 unique taxpayer TINs. Figure 8 showed that the IRS received 1,827,556 Forms 8938 from U.S. taxpayers, which would leave 3,148,965 unique taxpayers who are potential non-filers. The IRS could have conducted non-filer compliance operations using this data.

Pursuant to I.R.C. § 6038D(d), any individual taxpayer with any interest in a specified foreign financial asset exceeding $50,000 who fails to provide the required foreign account information on Form 8938 is subject to a penalty of $10,000. If the individual fails to file for more than 90 days after the IRS notifies the individual of such failure, the penalty increases by an additional $10,000 for each 30-day period that the failure continues. The maximum amount that can be imposed under this penalty is $50,000. The IRS provided us with data in which it identified the number of individual taxpayers with any interest in a specified foreign financial asset exceeding $50,000:

- 1,493,186 Forms 8966 contained unique taxpayer TINs and specified foreign financial assets exceeding $50,000.
- 1,163,104 Forms 8938 received from U.S. taxpayers with assets exceeding $50,000.

We subtracted the number of U.S. taxpayers who filed Form 8938 from the number of unique taxpayers on Form 8966 and determined that there were 330,082 taxpayers who are potential non-filers. If we apply the minimum penalty amount of $10,000 to these taxpayers, the IRS could have assessed at least $3.3 billion using information that was readily available to the IRS before any penalty abatements or additional applicable failure to disclose penalties. A portion of this population could be due to errors in the IRS data, misreporting, or failure to file due to

[38] TIGTA, Report No. 2018-30-040, *Despite Spending Nearly $380 Million, the Internal Revenue Service Is Still Not Prepared to Enforce Compliance With the Foreign Account Tax Compliance Act* p. 17 (July 2018).

reasonable cause, which would reduce the total subject to penalties.[39] Additional information is needed from the IRS related to these factors in order to develop a reliable estimated revenue outcome of additional enforcement activity in this area. The IRS does not currently have this information.

The IRS had not assessed any I.R.C. § 6038D(d) penalties under Campaign 896 because the LB&I Division was slow to identify non-filers as a part of its campaign, although the IRS indicates it is currently taking affirmative steps to identify non-filers. This had left a significant gap in FATCA enforcement. Figure 12 shows that, as of May 2021 the IRS has been able to assess nearly $14 million in penalties for failure to file a complete statement of foreign financial assets and continued failure to provide information after the 90-day period. These penalties have not been assessed as a result of Campaign 896 efforts but rather during the course of a normal examination by revenue agents.

Figure 12: I.R.C. § 6038D(d) Penalties Assessed From Calendar Years 2016 Through 2018

Calendar Year	Number of Penalties Assessed	Penalty Amount	Number of Penalties Abated	Penalty Abatement Amount
2016	18	$240,000	0	$0
2017	109	$2,270,000	2	-$20,000
2018	248	$3,520,000	18	-$231,998
2019	539	$7,931,828	61	-$824,823
Totals	**914**	**$13,961,828**	**81**	**-$1,076,821**

Source: Information provided by the IRS's LB&I Division.

Initially, IRS efforts were limited to individuals who are attempting to be compliant, as opposed to the individuals who are avoiding compliance altogether. This limited the IRS's ability to assess and collect taxes due on foreign accounts and its ability to address the substantial noncompliance by assessing penalties that would be owed by these non-filers. As of June 2021, no tax revenue had been collected from Campaign 896.

Management Actions: Since our fieldwork ended, the IRS has finalized a non-filer filter as of August 2021, and it has been run against TY 2019 data. Examination cases are in the early stages and thus have not yet generated specific compliance results that can be shared.

The Commissioner, LB&I Division, should:

Recommendation 2: Establish procedures that would identify non-filers of Forms 8938 and encourage compliance of non-filers through examination or penalty assessments.

> **Management's Response:** IRS management stated that this recommendation has been implemented. It has a filter that identifies potential non-filers of Forms 8938, and civil and criminal examinations are underway with respect to the non-filer population.

[39] I.R.C. § 6038D(g) Reasonable Cause Exception. This penalty provision provides that if a failure to file is due to reasonable cause and not due to willful neglect, the IRS will not impose the penalty.

Penalties are considered in examinations where appropriate. This work will remain ongoing.

Campaign 975 Has Not Reduced Foreign Financial Institution Noncompliance

The objective of Campaign 975 is to identify the FFIs that maintain specified foreign financial accounts for U.S. specified persons but did not submit Forms 8966 on the accounts they hold on behalf of U.S. individuals. Under Campaign 975, the LB&I Division matches Forms 8938 to Forms 8966 and related Forms 1099.[40] If the IRS is unable to match a Form 8938 to corresponding Forms 8966 or 1099, it has potentially identified an FFI that may have been required to file but did not.[41]

The IRS conducts the matches by looking at the FFI names on Forms 8938 and conducts a name [redacted]

Figure 13 shows that, for TY 2016, the IRS was able to identify 68,865 unique FFI names on Forms 8938. When matched to the corresponding FFI names on Forms 8966, the IRS was able to match 52,610 (76 percent) of those FFI names, while 16,255 (24 percent) FFI names did not match and warranted additional research. The numbers were similar in TY 2017, when the IRS identified 87,080 unique FFI names on Forms 8938 and matched 66,020 (76 percent) of those names, while 21,060 (24 percent) did not match.

Figure 13: Number of Unique FFI Names Compared on the Forms 8938 and 8966 Identified and Matched in Campaign 975 for TYs 2016 and 2017

TY	Unique FFI Names on Forms 8938	Unique FFI Names on Forms 8966	Match	No Match
2016	68,865	75,521	52,610	16,255
2017	87,080	79,587	66,020	21,060

Source: Information provided by the IRS's LB&I Division.

Prior to January 2021, the LB&I Division reviewed only the FFIs that do not have an IGA with the IRS (*i.e.,* Direct Filings Institutions from Figure 3 – 4 percent of the Forms 8966 received) for TYs 2016 and 2017 as this would allow the IRS to contact those FFIs directly. Of the 16,255 FFIs that did not match in TY 2016, only 995 were from non-IGA countries. After further research on

[40] There are six Forms 1099 that relate to FATCA: Form 1099-B, *Proceeds From Broker and Barter Exchange Transactions;* Form 1099-DIV, *Dividends and Distributions;* Form 1099-INT, *Interest Income;* Form 1099-MISC, *Miscellaneous Income;* Form 1099-OID, *Original Issue Discount;* and Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.* IRA = individual retirement arrangement.

[41] Circumstances in which registered FFIs are not required to file a Form 8966 include when they do not have any accounts with U.S. account holders or when the aggregate value of all depository accounts held, in whole or in part, by individual U.S. account holders does not exceed $50,000 as of the end of the calendar year.

these 995, the IRS concluded that the majority of the FFIs identified for potential noncompliance were in fact compliant and sent out soft letters to only 12 FFIs between November 2019 and October 2020. Of these 12 letters, the IRS received responses to five of them. [redacted] The IRS plans to conduct compliance actions with respect to those FFIs that did not respond to the letters. The IRS is currently reviewing matches for TY 2017 and [redacted] The IRS does not track the dollar values of the foreign accounts in Campaign 975, so we were unable to determine the value of the foreign bank accounts held by these FFIs. No tax revenue has been collected from Campaign 975.

For TY 2016, there were 15,260 FFIs from IGA countries that did not match and warranted additional research. Given the large number of the FFIs from IGA countries warranting additional research, we questioned why the IRS was not reducing FFI noncompliance by limiting the 975 Campaign to non-IGA FFIs. In January 2021, the IRS started conducting compliance activities related to the FFIs from IGA countries. Reviews for the FFIs with IGAs have been ongoing since that time depending on resource availability. As of September 2021, the IRS has reviewed 3,891 FFIs with an IGA and identified 34 for further compliance action.

Recommendation 3: The Commissioner, LB&I Division, should consider expanding the scope of Campaign 975 to address noncompliance by the FFIs from IGA countries and follow through with compliance action on the identified IGAs.

> **Management's Response:** IRS management agreed with this recommendation and stated that Campaign 975 had reviewed approximately 4,000 FFIs from IGA countries and identified potential noncompliance by 34 FFIs. Compliance activities with respect to this population are underway.

Lack of Taxpayer Identification Number and Global Intermediary Identification Number Reporting Continues to Provide Challenges in Matching Forms

The IRS conducts the matches for Campaign 975 using [redacted] because there are no mandatory fields common to both Forms 8938 and 8966 during the tax years under review by the campaign. While Form 8938 contains a field for individual taxpayers to include the FFI GIIN number, this field is optional, and most taxpayers do not complete this field. IRS management agreed that, if the optional GIIN on Form 8938 was mandatory, they would have a higher percentage of name matches.

Similarly Form 8966 contains a field for an FFI to include the account holder's TIN, and although this is required under FATCA provisions, the IRS granted exceptions for the FFIs in Model 1 IGA jurisdictions for Calendar Years 2017 through 2019. IRS Notice 2017-46 states:

> *The Treasury Department and the IRS understand that some reporting Model 1 FFIs need additional time to implement practices and procedures to obtain and report required U.S. TINs for preexisting accounts that are U.S. reportable accounts. Accordingly, with respect to reporting on preexisting accounts that are U.S. reportable accounts, for calendar years 2017, 2018, and 2019, the U.S.*

Competent Authority will not determine that there is significant non-compliance with the obligations under an applicable Model 1 IGA with respect to a reporting Model 1 FFI solely because of a failure to obtain and report each required U.S. TIN.

This law required the FFIs to attempt to secure other pertinent information. The lack of an identification number, whether it is a GIIN or a TIN, has presented challenges in enforcing FATCA compliance and makes it harder for the IRS to ensure compliance by the FFIs by using the Form 8938 and ensure compliance by taxpayers by using Forms 8966.

The Commissioner, LB&I Division, should:

Recommendation 4: Issue a notice to foreign countries with Model 1 IGAs that all the FFIs must collect and provide the TINs of U.S. individuals owning a foreign bank account.

Management's Response: IRS management disagreed with this recommendation and stated that the countries with Model 1 IGAs are already aware that the FFIs must collect and provide the TINs of U.S. individuals owning a foreign bank account (*e.g.*, Article 2, Model 1A Reciprocal IGA; Notice 2017-46).

Office of Audit Comment: We do not believe that assuming the FFIs are aware of an IRS notice from 2017 will correct the issue. The lack of a TIN continues to present challenges in enforcing FATCA compliance and makes it harder for the IRS to ensure compliance by the FFIs by using the Form 8938 and ensure compliance by taxpayers by using Forms 8966. We reported that for TYs 2016 to 2019, only 44 percent of the Forms 8966 the IRS received contained a valid TIN, while the remaining 56 percent contained an invalid TIN or had no TIN. We recommend emphasis of this requirement.

Departure From the FATCA Compliance Roadmap Hampered IRS Efforts to Improve Compliance

In January 2016, the IRS updated its strategy for FATCA and created the FATCA Compliance Roadmap as a comprehensive plan to articulate the IRS's priorities to facilitate compliance with FATCA reporting requirements. The Compliance Roadmap also provided an overview of compliance activities used solely for enforcing FATCA reporting requirements or enhancing existing compliance efforts. In addition, the Compliance Roadmap:

- Documented compliance planning involving FATCA data.
- Provided a baseline for future compliance planning and implementation activities across the IRS.
- Provided a detailed plan of action on the part of the IRS, which included a breakdown of the various activities to be performed each year by the different IRS business operating divisions.
- Included detailed information on the Compliance Roadmap templates. Each template addressed a specific compliance type (*i.e.*, taxpayer, the FFI, withholding, refund) and included information on many key areas, including Compliance Activity Scope, Compliance Activity Timeline, and Measures/Metrics. These three key areas of the

templates, combined with a breakdown of the various business unit activities, provided the IRS with a strategy to track success and measure progress.

However, in July 2018, we reported that the IRS had not updated the FATCA Compliance Roadmap since January 2016 and had taken limited or no action on a majority of the planned activities outlined in it.[42] By October 2018, the IRS departed from the Compliance Roadmap and has not developed a revised comprehensive plan to manage efforts to leverage FATCA data to improve taxpayer compliance. In April 2019, the Government Accountability Office reported that the IRS was no longer updating the FATCA Compliance Roadmap and instead was focusing on its two campaigns.[43] IRS officials advised us that the Compliance Roadmap was not intended to be a static comprehensive plan but rather served as an initial framework to inform an infrastructure that could support potential future compliance efforts. However, the IRS did not have the capability to approach that level of activity, especially as its funding was in decline from a period shortly after FATCA was enacted until recent years in which funding has stabilized although at a diminished level. The developers of the Compliance Roadmap could not envision future policy or guidance changes and/or potential information technology or human resource constraints. FATCA data are now integrated into IRS operations as the compliance approach has evolved. The IRS's approach now includes the implementation of several compliance efforts that address changing circumstances to identify and combat individual and foreign financial institution non-compliance.

FATCA campaigns were established without milestones to determine the level of voluntary compliance

The managers for both campaigns stated that their campaigns will continue for the foreseeable future, with modifications when appropriate as results are analyzed. The IRS stated that the campaigns will end when an appropriate level of compliance is achieved. However, the IRS has not defined what an appropriate level of compliance would be. To properly assess the success of these campaigns, the IRS needs to establish the baseline level of voluntary compliance and target levels of voluntary compliance. Without such measures, the IRS's ability to determine compliance with FATCA requirements is limited.

The use of FATCA data for compliance purposes has been limited

The FATCA Compliance Roadmap contained templates that detailed various compliance activities using FATCA data. These compliance activities were prioritized based on FATCA data availability and the anticipated compliance value. For example, specific compliance activities using FATCA data included (but not limited to):

- <u>Small Business/Self-Employed (SB/SE) Division Examination function</u> – FATCA data match to Form 1040, *U.S. Individual Income Tax Return*. Compares Forms 8938, 1042, and 8966 against the Form 1040 to detect underreported income (high compliance value).

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[42] TIGTA, Report No. 2018-30-040, *Despite Spending Nearly $380 Million, the Internal Revenue Service Is Still Not Prepared to Enforce Compliance With the Foreign Account Tax Compliance Act* p. 6 (July 2018).

[43] Government Accountability Office, GAO-19-180, *Foreign Asset Reporting: Actions Needed to Enhance Compliance Efforts, Eliminate Overlapping Requirements, and Mitigate Burdens on U.S. Persons Abroad* (Apr. 1, 2019).

- Form 8938 used with other information returns – Identify potential noncompliance by analyzing Form 8938 filings, taken together with tax return (Form 1040/1040-NR) data and other return data (medium compliance value).[44]
- SB/SE Division – Specialty Estate and Gift – Underreported international assets held as of date of death or held by estates, gratuitous transfers made during life of internationally held assets (gift tax compliance), and transfers received by U.S. taxpayers from expatriates (high compliance value).
- Form 8938 versus Offshore Voluntary Disclosure Program – Determine if taxpayers continue to report international investments and income from such investments as required by the Offshore Voluntary Disclosure Program (high compliance value).

We followed up with the SB/SE Division to determine its plans to improve tax compliance using FATCA data. Thus far, the SB/SE Division has been unable to make any progress on the compliance activities to improve taxpayer compliance in the first three bullets. Regarding the fourth bullet, the SB/SE Division Examination Program Letter for FY 2018 states:

> *Exam will continue to collaborate with LB&I to support examiners assigned Offshore Voluntary Disclosure Program and private banking cases. Guidance, training and case assistance will continue to be a priority to ensure SB/SE examiners are supported in these examinations. We will continue to coordinate with other IRS business units to ensure consistent application of penalties.*

SB/SE Division Examination developed a Form 8938 Penalty Issue Lead Sheet for use by revenue agents. The lead sheet provides techniques to assist the revenue agent to determine if the taxpayer under examination was required to file Form 8938. It is not mandatory to use this lead sheet.

SB/SE Division Collection is developing a FATCA indicator for its Integrated Collection System (ICS) system that will flag FATCA data as an asset source.[45] All field employees assigned a case on the ICS will show an indicator when there is a FATCA form or data available for that taxpayer. The purpose of the ICS indicator is to facilitate the automation of the matching of FATCA data for primary/secondary TINs on accounts within the ICS. The indicator is scheduled to be completed by January 2022. SB/SE Division Collection established guidance for Field Collection employees when FATCA research is required.[46] Collection is evaluating the use of FATCA data on open cases, as well as collection cases designated as "Currently Not Collectible," but this initiative is in the initial stages of development.

We believe the IRS would be further along in using FATCA data for compliance activities had it maintained the FATCA Compliance Roadmap. Without the roadmap, the IRS's ability to collect and leverage data collected under FATCA for compliance enforcement and other purposes is limited. FATCA provisions have been in effect for over 11 years, and the IRS has not made significant measurable progress toward ensuring compliance. As mentioned previously, when the law was passed in March 2010, the Congressional Joint Committee on Taxation estimated that revenue from FATCA would be $8.7 billion from FYs 2010 to 2020. To date, the IRS has

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[44] Form 1040-NR, *U.S. Nonresident Alien Income Tax Return.*

[45] The ICS is a system used by Field Collection function employees (revenue officers) to report taxpayer case time and activity.

[46] Internal Revenue Manual 5.1.18.21, *FATCA Research* (Aug. 16, 2021).

been unable to quantify revenue generated from FATCA compliance activity beyond the $14 million in revenue from penalties unrelated to the campaigns, despite spending over $574 million on implementation and establishing two campaigns that have sent out 847 letters to taxpayers. IRS officials advised us that the revenue impact to FATCA reporting is in the impact on voluntary compliance. Even though the IRS cannot quantify this impact, the IRS points to the increase in Foreign Bank Account Reporting filings. Specifically, in May 2021, Doug O'Donnell, Deputy Commissioner, Services and Enforcement, IRS, testified before the Senate Finance Subcommittee that the substantial increase in Foreign Bank Account Reporting filings, as well as the voluminous Form 8938 filings, both of which reflect the increased disclosure of individuals' foreign financial account holdings, demonstrate the significant voluntary compliance impacts of the FATCA regime. He added that Foreign Bank Account Reporting has grown from 538,000 filed in 2010 to 1.4 million filed in 2019.[47]

The Commissioner, LB&I Division, should:

Recommendation 5: Establish goals, milestones, and timelines for FATCA campaigns in order to determine whether the campaigns are effective in meeting their goals and affecting tax compliance.

> **Management's Response:** IRS management agreed with this recommendation. While stating that their existing campaign metrics track the progress and success of these campaigns, IRS management agreed to refine their metrics with respect to goals, milestones, and timelines.

Recommendation 6: Partner with the SB/SE Division Directors for the Examination and Collection functions to establish an information sharing program that would allow the SB/SE Division to conduct examinations and perform collection actions using Form 8938 data.

> **Management's Response:** IRS management indicated that the recommendation has been implemented.

[47] *Closing the Tax Gap: Lost Revenue from Noncompliance and the Role of Offshore Tax Evasion, Hearing Before the Subcommittee on Taxation and IRS Oversight,* 117th Cong. (2021) (statement of Doug O'Donnell, Deputy Commissioner, Services and Enforcement, IRS).

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate the IRS's efforts to use information collected under FATCA to improve taxpayer compliance. To accomplish our objective, we:

- Reviewed pertinent inventory processing reports for TYs 2016 through 2019 to determine how many Forms 8966 and 8938 were received.
- Determined the status of IRS corrective actions related to recommendations contained in TIGTA Report Number 2018-30-040 by assessing the completeness and effectiveness of the completed/implemented corrective actions.
- Analyzed IRS data for which FFI (Form 8966) data were matched with taxpayer (Form 8938) data.
- Assessed the effectiveness of Campaign 975 to identify the FFIs that maintain specified foreign financial accounts for U.S. specified persons but did not submit any account information (Form 8966).
- Assessed the effectiveness of Campaign 896 to identify taxpayer noncompliance with information reporting of accounts held at the FFIs (Form 8938).
- Assessed the effectiveness of the use of FATCA data by the SB/SE Division Collection and Examination functions.

Performance of This Review

This review was performed with information obtained from the LB&I Division Headquarters in Washington, D.C.; and the SB/SE Division's Office of Collection Policy in New Carrollton, Maryland, during the period of October 2020 through June 2021. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations); Christina Dreyer, Director; Tim Greiner, Audit Manager; Meaghan Tocco, Acting Audit Manager; and Victor Taylor, Lead Auditor.

Validity and Reliability of Data From Computer-Based Systems

During this review, we relied on information obtained from the ICMM database related to FATCA. We also relied on information from the IRS Modernized e-File application and the Integrated Data Retrieval System.[1] We compared 20 cases from the information received from the ICMM database to the information maintained on the Modernized e-File application and the Integrated Data Retrieval System and determined that the data were sufficiently reliable for purposes of this audit.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: controls related to matching and analyzing Forms 8938 and 8966. We evaluated these controls by interviewing and corresponding with key personnel.

[1] IRS Modernized e-File is a web-based platform for filing approximately 330 forms to the IRS. It serves to streamline filing processes and reduce the costs associated with a paper-based process. The Integrated Data Retrieval System is an IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.

Appendix II

Management's Response to the Draft Report

COMMISSIONER
LARGE BUSINESS AND
INTERNATIONAL DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

April 4, 2022

MEMORANDUM FOR MICHAEL E. McKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Nikole C. Flax
Commissioner, Large Business and International Division

SUBJECT: Draft Audit Report # 2020-30-010, Additional Actions are Needed to Address Non-Filing and Non-Reporting Compliance Under the Foreign Account Tax Compliance Act

Thank you for the opportunity to review and comment on the draft report referenced above. As discussed in the report, the Foreign Account Tax Compliance Act (FATCA) was enacted to improve U.S. taxpayer reporting of foreign financial assets and offshore accounts. We agree with the importance of associated IRS compliance efforts, and while there is more to do, the IRS has made considerable progress in the utilization of FATCA data in recent years.

FATCA, however, is a data source, not a compliance program, and FATCA data, like other information reporting data, is woven into our enforcement framework and used throughout the IRS. TIGTA characterizes the IRS's FATCA efforts as a more limited compliance effort than the original roadmap, and focuses on the implementation of two LB&I campaigns. Specific IRS compliance activities, however, are not limited to the two campaigns covered by this report, and the report's narrow focus should not be used to draw conclusions about the entirety of the IRS's enforcement efforts in this area.

The report does not adequately contemplate the compliance actions undertaken outside of the campaigns, including the widespread transmission and use of FATCA data on individual cases across all IRS examination functions, as well as by criminal investigation and collection. In addition to expansive use in individual cases, FATCA information has been used across the IRS in diverse compliance efforts, including, for example:

- A certification compliance plan workstream that has resulted in the termination of the Global Intermediary Identification Numbers (GIIN) of hundreds of foreign financial institutions (FFIs).

- A Horizontal Scan Project geared towards emerging tax risks and trends in FATCA compliance. The focus of the scan is to address specific issues to enhance FATCA compliance in areas such as web crawling for abuses, Citizenship/Residency by Investment, expatriation, and virtual currency.
- Association of FATCA data with all offshore examination cases.
- Analysis of FATCA Model 2 Intergovernmental Agreement (IGA) competent authority requests for compliance actions.

As this report, however, focused nearly exclusively on two IRS campaigns, we offer the following fuller perspective on the breadth of activities in these campaigns. In light of the nature of the data reflected on Forms 8938 and 8966, these FATCA compliance projects are resource intensive. However, the IRS has invested significant resources and made considerable progress in this area.

For example, we have transmitted over 1,000 soft letters to taxpayers where a discrepancy was identified between filed Forms 8938 and Forms 8966, including with respect to potential Form 8938 non-filers. These letters have resulted in a significant response rate, including communications indicating compliance, non-compliance, follow-up inquiries and/or amended return filings. Each response to a soft letter is tracked and analyzed, and taxpayers receiving soft letters requiring a response are reviewed for compliance follow-up, including potential examinations where warranted. In addition to the soft letter component of the campaign, we are also conducting civil and criminal examinations of taxpayers with FATCA reporting discrepancies and potential Form 8938 non-filers, including audits in the Global High Wealth footprint and will continue additional work as resources allow. Further, while the report indicates that Campaign 896 has "only recently" undertaken compliance actions to address potential underreporters, soft letter transmissions began in November 2020, and Campaign 896 examinations were underway as of February 2021.

We disagree with the Report's statement that the IRS's FATCA Filing Accuracy campaign has not reduced FFI noncompliance. Pursuant to this campaign, the IRS has conducted compliance efforts with respect to over 5,000 FFIs, comparing Form 8938 filings with Forms 8966, and letters have been transmitted with respect to both Intergovernmental Agreement (IGA) FFIs, as well as non-IGA FFIs. Our findings to date have demonstrated a high incidence of FFI reporting compliance, and reviews of the FFI population will continue depending on risk assessment outcomes.

Notwithstanding TIGTA's assertion that the IRS must establish baseline and target levels of voluntary compliance in order to assess success, the IRS's campaign metrics have enabled, and will continue to enable, the IRS to track the results of its campaigns and make changes as appropriate and resources allow. The IRS tracks the progress and success of these campaigns through a number of measures such as the volume of letters transmitted and responses received from taxpayers and representatives (including follow-up actions, such as the filing of amended returns); analytics comparing Forms 8938 and 8966; examinations opened and closed; examination timelines and results; and feedback received from employees and taxpayers and their representatives involved in the compliance efforts. We utilize these measures to either confirm or alter our historical compliance efforts.

While asserting that FATCA should have generated $8.7 billion of revenue by the end of 2020, TIGTA's report significantly discounts FATCA's compliance and associated revenue benefits by limiting its revenue collection figures to short-term campaign adjustments and Chapter 4 withholding. TIGTA's report largely fails to recognize the voluntary compliance impact the FATCA regime has on its filing population, which should be the largest source of the regime's revenue generation. FATCA is an information reporting regime designed to encourage the disclosure of foreign bank and brokerage accounts held or controlled by U.S. taxpayers and the disclosure of ownership interests held by U.S. persons in certain foreign entities, as well as appropriate tax reporting by U.S. account holders that may lead to additional tax revenues through more accurate reporting. Third-party information reporting is a cornerstone of promoting voluntary tax compliance and enforcement of the Internal Revenue Code has consistently shown in other contexts to increase voluntary compliance rates.

In the case of FATCA, this is clearly demonstrated by the approximate doubling of FBAR filings annually since the enactment of FATCA, as well as campaign results to date. If FFIs are FATCA compliant and have a GIIN, no withholding is required. Increased compliance of FATCA reporting would therefore result in no withholding (other than what is considered for Chapter 3 purposes) or tax adjustments, rather than the increased withholding and tax adjustments that the report appears to characterize as demonstrating compliance. Further, FATCA data is utilized widely on individual cases across the IRS where revenue generation specific to FATCA data is not tracked such that the IRS cannot quantify the monetary benefits of its use of this data.

We also disagree with the potential $3.3 billion penalty figure calculated by TIGTA. We believe that the number is grossly overstated for numerous reasons. Form 8966 submissions will not correlate with Form 8938 submissions, for example, in the case of joint filers, filing instructions and thresholds that result in reporting on Forms 8966 but not Forms 8938, and foreign financial assets reported on other tax forms rather than the Form 8938. Also, as we have shared with TIGTA, the outcome measure calculation relies on variance figures that are inaccurate, including account balances that are clearly erroneous due to multiple decimal point location errors. Finally, the calculation assumptions with respect to penalty assessments are not realistic given they do not take into account that many taxpayers would likely assert, and succeed on, reasonable cause defenses for failures to file Forms 8938.

We will continue to enhance our compliance efforts highlighted both in the report and more comprehensively with respect to FATCA data. The attachment provides a response outlining our corrective actions for the recommendations.

If you have any questions, please contact me, or members of your staff may contact Deborah T. Palacheck, Director, Withholding, Exchange & International Individual Compliance Practice Area at (202) 317-8451.

Attachment

Attachment

RECOMMENDATION 1: The Commissioner, Large Business and International Division, should consider additional compliance actions for underreporters identified in its matching, including assessing penalties to taxpayers based on the variance amounts or conducting examinations on taxpayers who consistently underreport.

CORRECTIVE ACTION: The IRS agrees with the importance of this work. We have issued soft letters and civil and criminal examinations are underway with respect to the underreporter population. Penalties are considered in examinations where appropriate. This work will remain ongoing.

IMPLEMENTATION DATE:
Implemented

RESPONSIBLE OFFICIAL:
Director, Withholding, Exchange and International Individual Compliance

CORRECTIVE ACTION MONITORING PLAN:
N/A

RECOMMENDATION 2: The Commissioner, Large Business and International Division, should establish procedures that would identify nonfilers of Forms 8938 and encourage compliance of nonfilers through examination or penalty assessments.

CORRECTIVE ACTION: The IRS agrees with the importance of this work. The IRS has a filter that identifies potential non-filers of Forms 8938, and civil and criminal examinations are underway with respect to the non-filer population. Penalties are considered in examinations where appropriate. This work will remain ongoing.

IMPLEMENTATION DATE:
Implemented

RESPONSIBLE OFFICIAL:
Director, Withholding, Exchange and International Individual Compliance

CORRECTIVE ACTION MONITORING PLAN:
N/A

RECOMMENDATION 3: The Commissioner, Large Business and International Division, should consider expanding the scope of Campaign 975 to address noncompliance by

FFIs from IGA countries and follow through with compliance action on the identified IGAs.

CORRECTIVE ACTION: Campaign 975 had reviewed approximately 4,000 FFIs from IGA countries and identified potential noncompliance by 34 FFIs. Compliance activities with respect to this population are underway.

IMPLEMENTATION DATE:
April 15, 2022

RESPONSIBLE OFFICIAL:
Director, Withholding, Exchange and International Individual Compliance

CORRECTIVE ACTION MONITORING PLAN:
We will monitor this corrective action as part of our internal management sytems of controls.

RECOMMENDATION 4: The Commissioner, Large Business and International Division, should issue a notice to foreign countries with Model 1 IGA agreements that all FFIs must collect and provide the TINs of U.S. individuals owning a foreign bank account.

CORRECTIVE ACTION: Countries with Model 1 IGAs are already aware that FFIs must collect and provide the TINs of U.S. individuals owning a foreign bank account (*see, e.g.*, Article 2, Model 1A Reciprocal IGA; Notice 2017-46).

IMPLEMENTATION DATE:
N/A

RESPONSIBLE OFFICIAL:
N/A

CORRECTIVE ACTION MONITORING PLAN:
N/A

RECOMMENDATION 5: The Commissioner, Large Business and International Division, should establish goals, milestones, and timelines for the FATCA campaigns in order to determine whether the campaigns are effective in meeting their goals and affecting tax compliance.

CORRECTIVE ACTION: Existing campaign metrics enable the IRS to track the results of the FATCA campaigns and make changes as appropriate and resources allow. The IRS tracks the progress and success of these campaigns through a number of measures such as the volume of letters transmitted and responses received from taxpayers and representatives (including follow-up actions, such as the filing of amended returns); analytics comparing Forms 8938 and 8966; examinations opened and closed; examination timelines and results; and feedback received from employees and taxpayers and their representatives involved in the compliance efforts. We will refine our metrics with respect to FATCA, including with respect to goals, milestones and timelines.

IMPLEMENTATION DATE:
April 15, 2022

RESPONSIBLE OFFICIAL:
Director, Withholding, Exchange and International Individual Compliance

CORRECTIVE ACTION MONITORING PLAN:
We will monitor this corrective action as part of our internal management sytems of controls.

RECOMMENDATION 6: The Commissioner, Large Business and International Division, should partner with the SB/SE Division Directors for the Examination and Collection functions to establish an information sharing program that would allow the SB/SE Division to conduct examinations and perform collection actions using Form 8938 data.

CORRECTIVE ACTION: LB&I and SB/SE currently partner on FATCA compliance activities. SB/SE Examination has procedures in place for its revenue agents to secure FATCA information on cases when appropriate. LB&I has shared with SB/SE Examination a portion of the FATCA campaign-specific inventory. SB/SE Collection utilizes FATCA data on balance due accounts to identify assets for collection. This work will remain ongoing.

IMPLEMENTATION DATE:
Implemented

RESPONSIBLE OFFICIAL:
Director, Withholding, Exchange and International Individual Compliance

CORRECTIVE ACTION MONITORING PLAN:
N/A

Appendix III

Abbreviations

FATCA	Foreign Account Tax Compliance Act
FFI	Foreign Financial Institution
FY	Fiscal Year
GIIN	Global Intermediary Identification Number
HCTA	Host Country Tax Authority
ICMM	International Compliance Management Model
ICS	Integrated Collection System
IDES	International Data Exchange Service
IGA	Intergovernmental Agreements
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
LB&I	Large Business and International
PFFI	Participating Foreign Financial Institution
SB/SE	Small Business/Self-Employed
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TY	Tax Year

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Treasury Inspector General for Tax Administration

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Information you provide is confidential, and you may remain anonymous.