INTERNAL REVENUE SERVICE

IRS News Release

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IRS: Offshore tax cheating remains on 'Dirty Dozen' list of tax scams

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

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WASHINGTON — Avoiding taxes by hiding money or assets in unreported offshore accounts remains on the IRS "Dirty Dozen" tax scams for 2018, the agency said today.

This long-running scheme to hide money in international accounts to avoid paying taxes has been a major focus for the IRS in recent years. Taxpayers should remain wary of these schemes given the continuing focus on this by the tax agency and the Justice Department.

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

As the IRS intensified efforts on offshore issues in recent years, many taxpayers have voluntary disclosed their participation in these schemes.

There have been more than 56,400 disclosures and the IRS has collected more than $11.1 billion from the Offshore Voluntary Disclosure Program (OVDP) since it opened in 2009. With applications dwindling in recent years to a few hundred annually, the IRS announced earlier this month the voluntary program will end Sept. 28.

In addition, another 65,000 taxpayers have made use of separate streamlined procedures to correct prior non-willful omissions and meet their federal tax obligations. 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.

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. They 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. Information on the existing Offshore Voluntary Disclosure Program can be found be found on IRS.gov More details on the program closing can be found in these questions and answers.

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 third 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.

With the Offshore Voluntary Disclosure Program coming to a close on Sept. 28, the IRS reminded taxpayers there is a limited amount of time to take advantage of this option.

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