

T.I.G.T.A. ADVISES THE I.R.S. ON IMPROVING INTERNATIONAL TAX COMPLIANCE

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In 2006, the I.R.S. created the International Collection program (“International Collection”), whereby collections officers are primarily responsible for collection of all delinquent taxes and tax returns of taxpayers located outside the U.S., but subject to the United States tax and reporting requirements. Since its inception, International Collection has undergone certain changes with the intention of developing a well-structured, long-term strategy to curb international tax noncompliance.

INTERNATIONAL TAXPAYERS

Significant emphasis now is placed on international tax compliance. The I.R.S. is concentrating on collecting delinquent payments, and through the three voluntary programs alone, it collected \$6.5 billion from 45,000 participating taxpayers.⁵⁰

There are four types of international taxpayers that are of interest to the I.R.S.

- U.S. individual taxpayers and resident aliens working, living, or doing business abroad;
- U.S. corporations doing business abroad;
- Nonresident aliens working or doing business in the United States; and
- Foreign corporations doing business in the United States.⁵¹

On September 30, 2014, the Treasury Inspector General for Tax Administration (“T.I.G.T.A.”) came out with a report (the “Report”) criticizing the I.R.S.’s efforts with

⁵⁰ Internal Revenue Service, “IRS Offshore Voluntary Disclosure Efforts Produce \$6.5 Billion; 45,000 Taxpayers Participate,” FS-2014-6, June 2014, [http://www.irs.gov/uac/Newsroom/IRS-Offshore-Voluntary-Disclosure-Efforts-Produce-\\$6.5-Billion;-45,000-Taxpayers-Participate](http://www.irs.gov/uac/Newsroom/IRS-Offshore-Voluntary-Disclosure-Efforts-Produce-$6.5-Billion;-45,000-Taxpayers-Participate).

⁵¹ Treasury Inspector General for Tax Administration, “The Internal Revenue Service Needs to Enhance Its International Collection Efforts,” 2014–30–054, <http://www.treasury.gov/tigta/auditreports/2014reports/201430054fr.pdf>.

regard to International Collection.⁵² Among other things, the Report pointed out that the I.R.S. does not have reliable statistics on the rate of noncompliance for international taxpayers with U.S. tax obligations.

Moreover, the Report pointed out two specific areas that require change:

1. The Internal Revenue Manual (the “Manual”) does not provide policies and procedures on International Collection issues. The Manual provides for the same time frame and procedures with regard to international and domestic cases, which places a heavy burden on International Collection officers.
2. In addition, International Collection officers do not receive the proper training or tools to perform their jobs. In some instances, officers were actually given wrong information, which created delays in resolving international cases.

While the Report identified many other problems, it also provided the following recommendations for the I.R.S. to improve the program:

- Adequate policies, procedures, position descriptions, and training to ensure that I.R.S. officers can properly handle International Collection cases.
- A specific inventory selection process to ensure that International Collection cases with the highest risk are pursued.
- Performance measures and enforcement results reported separately from Domestic Collection.
- A process to measure the effectiveness of the Customs Hold as an enforcement tool.⁵³

The I.R.S. has undertaken the obligation to implement the changes recommended in the Report; it will develop training programs for International Collection officers and will make appropriate changes to the Manual. The open question is whether a tax bill can be collected from persons physically located outside the U.S. who own no U.S. assets absent the cooperation of the jurisdiction of the individual's residence.

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⁵²

Id.

⁵³

Id.