

### LB&I Announces New Compliance Campaigns Targeting Offshore Activities of U.S. Taxpayer

The IRS will continue to focus its compliance efforts on taxpayers’ offshore activities in the coming months.

At the June 2019 New York University Tax Controversy Forum, acting director of IRS field operations (foreign payments practice) Kimberly A. Schoenbacher stated that the IRS will soon launch a compliance campaign targeting foreign banks that have not reported foreign assets of their U.S. account holders on a Form 8966, as required under the Foreign Account Tax Compliance Act (“FATCA”).

Separately, on April 16, 2019, the IRS Large Business & International Division (“LB&I”) announced three compliance campaigns, bringing the total number of announced campaigns to 53.<sup>1</sup> The stated goals of the new campaigns are to “improve return selection, identify issues representing a risk of non-compliance, and make the greatest use of limited resources.” The new campaigns are as follows:

- Offshore Private Banking Campaign. This campaign will focus on tax noncompliance and reporting requirements for U.S. persons maintaining offshore accounts. The IRS stated that it has information identifying taxpayers that have transacted with, or own accounts at, offshore private banks. Initially, it will address compliance failures through examinations and soft letter treatment streams, and will further develop its response according to feedback received as the campaign progresses.
- Captive Services Provider Campaign. This campaign will focus on transactions between U.S. multinational companies and foreign-controlled entities providing them exclusive services. By using information and pricing from comparable companies providing similar services, arm’s length pricing for services are determined to ensure that controlled foreign entities are not paid excessive fees. The goal of this campaign is to prevent the expatriation of income, disguised as fees to service providers, which reduces the U.S. tax base. The IRS will use issue-based examinations and soft letters in connection with this campaign.
- Loose Filed Forms 5471. Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, must be filed attached to a tax return at the time the return is due. The campaign will target the common mistake of filing Form 5471 separate from the related tax return, and promote the filing of an amended return, with Form 5471 attached, should an initial filing be submitted incorrectly.

<sup>1</sup> *IRS Announces the Identification and Selection of Three Large Business and International Compliance Campaigns*, <https://www.irs.gov/businesses/corporations/irs-announces-the-identification-and-selection-of-three-large-business-and-international-compliance-campaigns> (last visited June 21, 2019).