



441 G St. N.W.
Washington, DC 20548

January 6, 2014

The Honorable Carl Levin
Chairman, Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

Subject: IRS's Offshore Voluntary Disclosure Program: 2009 Participation by State and Location of Foreign Bank Accounts

Dear Mr. Chairman:

This letter transmits information you requested on participants in the Internal Revenue Service's (IRS) 2009 Offshore Voluntary Disclosure Program (OVDP), which offered incentives for taxpayers to disclose their offshore accounts and pay delinquent taxes, interest and penalties. Generally, the program offered somewhat reduced penalties and no risk of criminal prosecution, if eligible taxpayers fully disclosed their previously unreported offshore accounts, and paid taxes due plus interest.

Specifically, included is participation data by state and location of foreign bank accounts. This information supplements our March 2013 report.¹

To provide this information, we used analyses from our March 2013 report that were based on six years of tax return data from all 2009 OVDP participants. For the purposes of this review, we determined the data used in our analyses to be reliable. Our data reliability assessment included reviewing relevant documentation, interviewing IRS officials knowledgeable about the data, and testing the data electronically to identify obvious errors or outliers.

We conducted this performance audit from June 2011 to March 2013 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

2009 Offshore Voluntary Disclosure Program Participants by State

For our March 2013 report, we identified approximately 10,500 original 2008 tax returns filed by 2009 OVDP participants. We reviewed the state listed in the mailing address field of these returns. This mailing address may not necessarily reflect the state of residence of the taxpayers. As IRS notes when it publishes data on taxpayers by state, "some taxpayers may have used the address of a tax lawyer, or accountant, or the address of a place of business; moreover, such addresses could each have been located in a state other than the state in which the taxpayer

¹ GAO, *Offshore Tax Evasion: IRS Has Collected Billions of Dollars, but May be Missing Continued Evasion*, [GAO-13-318](#) (Washington, D.C.: Mar. 27, 2013).

resided.”² The geographic distribution of OVDP participants by state could be a consequence of taxpayer demographics. For example, OVDP participants generally reported higher incomes than the average taxpayer; and many of the states that seemed to appear more frequently in the OVDP population are generally higher-income states. Table 1 lists the number of 2008 tax returns filed by 2009 OVDP participants by state mailing address. To safeguard taxpayer identities, we suppressed the totals for any state with fewer than 10 OVDP participants.

² IRS footnote to Historical Table 2, *Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax Year 2008*.

Table 1: 2009 Offshore Voluntary Disclosure Program Participants by State

| 2008 tax return mailing address | Frequency | Percent |
|--|------------------|----------------|
| Alabama | 26 | <1% |
| Alaska | 20 | <1% |
| Arizona | 146 | 1% |
| Arkansas | 17 | <1% |
| California | 2,524 | 24% |
| Colorado | 139 | 1% |
| Connecticut | 210 | 2% |
| Delaware | 17 | <1% |
| District of Columbia ^a | 49 | <1% |
| Florida | 1,022 | 10% |
| Georgia | 143 | 1% |
| Hawaii | 59 | 1% |
| Idaho | 11 | <1% |
| Illinois | 291 | 3% |
| Indiana | 47 | <1% |
| Iowa | 17 | <1% |
| Kansas | 22 | <1% |
| Kentucky | 24 | <1% |
| Louisiana | 39 | <1% |
| Maine | 25 | <1% |
| Maryland | 203 | 2% |
| Massachusetts | 307 | 3% |
| Michigan | 129 | 1% |
| Minnesota | 59 | 1% |
| Mississippi | 11 | <1% |
| Missouri | 57 | 1% |
| Montana ^b | — | — |
| Nebraska | 11 | <1% |
| Nevada | 97 | 1% |
| New Hampshire | 40 | <1% |
| New Jersey | 631 | 6% |
| New Mexico | 31 | <1% |
| New York | 1,844 | 18% |
| North Carolina | 125 | 1% |
| North Dakota ^b | — | — |
| Ohio | 159 | 2% |
| Oklahoma | 17 | <1% |
| Oregon | 58 | 1% |
| Pennsylvania | 269 | 3% |
| Rhode Island | 25 | <1% |
| South Carolina | 50 | <1% |

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|--|---------------|-------------|
| South Dakota ^b | — | — |
| Tennessee | 48 | <1% |
| Texas | 512 | 5% |
| Utah | 26 | <1% |
| Vermont | 26 | <1% |
| Virginia | 184 | 2% |
| Washington | 231 | 2% |
| West Virginia ^b | — | — |
| Wisconsin | 49 | <1% |
| Wyoming ^b | — | — |
| Subtotal of suppressed states ^b | 29 | <1% |
| Other addresses ^{a,c} | 457 | 4% |
| TOTAL | 10,533 | 100% |

Source: GAO analysis of IRS's Individual Returns Transaction File

^a We follow IRS's convention that reports the District of Columbia and "other addresses" in tables that report tax return data by state.

^b To safeguard taxpayer identities, we are suppressing the totals for any state with fewer than 10 OVDP participants.

^c Other addresses include, for example, returns filed (1) from Army Post Office and Fleet Post Office addresses by members of the armed forces stationed overseas; (2) by other U.S. citizens abroad; and (3) by residents of Puerto Rico with income from sources outside Puerto Rico or with income earned as U.S. government employees.

Locations of Foreign Bank Accounts Reported by 2009 Offshore Voluntary Disclosure Program Participants

We identified 12,889 Report of Foreign Bank and Financial Accounts (FBAR) forms that were filed for 2008 by 2009 OVDP participants.³ We searched the financial institution mailing address data reported on these FBARs using country/territory codes from the Financial Crimes Enforcement Network (FinCEN).⁴ We then derived the list of frequencies for countries/territories reported in table 2. Consistent with IRS's enforcement efforts and the design of the 2009 OVDP, we found that the population of participants was more likely to report offshore accounts in Switzerland than other locations. Note that each FBAR could report multiple financial accounts and multiple financial institution mailing addresses. In our review of a sample of 2009 OVDP case files, we found that some participants disclosed dozens of offshore accounts with multiple banks and in multiple countries; in other cases, participants disclosed only one account. When reporting the geographic distribution of offshore accounts, we counted the number of FBARs in which a specific country/territory code appeared at least once. To safeguard taxpayer identities, we are not reporting the names of any country or territory that appeared less than 10 times.

³ The Bank Secrecy Act requires that U.S. taxpayers file a form TD F 90-22.1 FBAR if they have a financial interest in or signature authority over offshore accounts with an aggregate value exceeding \$10,000. The Secretary of the Treasury set this threshold. 31 U.S.C. § 5314; 31 C.F.R. § 1010.350.

⁴ FinCEN is a bureau of the U.S. Department of the Treasury. FBAR forms are processed by the IRS, but FBAR information is managed by Treasury's FinCEN. The FinCEN January 2009 list of standard state/country codes is available at http://www.fincen.gov/forms/files/country_and_state_codes.pdf.

Table 2: Locations of Foreign Bank Accounts Reported on Report of Foreign Bank and Financial Accounts (FBAR) Forms by 2009 Offshore Voluntary Disclosure Program Participants

| Country or territory | Frequency | Percent ^a |
|-----------------------------|------------------|-----------------------------|
| Switzerland | 5,427 | 42% |
| United Kingdom | 1,058 | 8% |
| Canada | 556 | 4% |
| France | 528 | 4% |
| Israel | 510 | 4% |
| Germany | 484 | 4% |
| China | 394 | 3% |
| Hong Kong | 362 | 3% |
| Taiwan | 307 | 2% |
| India | 306 | 2% |
| Italy | 189 | 1% |
| Luxembourg | 174 | 1% |
| Australia | 161 | 1% |
| Singapore | 156 | 1% |
| Cayman Islands | 148 | 1% |
| Liechtenstein | 142 | 1% |
| Netherlands | 121 | 1% |
| Austria | 116 | 1% |
| Ireland | 110 | 1% |
| Sweden | 107 | 1% |
| Belgium | 106 | 1% |
| Mexico | 102 | 1% |
| Isle of Man (UK) | 90 | 1% |
| South Korea | 86 | 1% |
| Japan | 83 | 1% |
| Spain | 82 | 1% |
| South Africa | 81 | 1% |
| Jersey (UK) | 72 | 1% |
| New Zealand | 72 | 1% |
| Bahamas | 69 | 1% |
| Brazil | 59 | <1% |
| Thailand | 54 | <1% |
| Bermuda | 52 | <1% |
| Denmark | 52 | <1% |
| Norway | 50 | <1% |
| Greece | 49 | <1% |
| Virgin Islands (British) | 49 | <1% |
| Monaco | 45 | <1% |
| Panama | 44 | <1% |
| Philippines | 39 | <1% |

| | | |
|------------------------|----|-----|
| Costa Rica | 33 | <1% |
| Netherlands (Antilles) | 32 | <1% |
| Colombia | 29 | <1% |
| Turkey | 29 | <1% |
| Guernsey | 26 | <1% |
| Hungary | 25 | <1% |
| Malaysia | 25 | <1% |
| United Arab Emirates | 22 | <1% |
| Jamaica | 20 | <1% |
| Dominican Republic | 18 | <1% |
| Lebanon | 18 | <1% |
| Poland | 18 | <1% |
| Venezuela | 18 | <1% |
| Chile | 15 | <1% |
| Cyprus | 15 | <1% |
| Finland | 15 | <1% |
| Antigua & Barbuda | 14 | <1% |
| Argentina | 14 | <1% |
| Iran | 14 | <1% |
| Portugal | 14 | <1% |
| Russia | 14 | <1% |
| Egypt | 13 | <1% |
| Uruguay | 13 | <1% |
| Sri Lanka | 12 | <1% |
| Guatemala | 12 | <1% |
| Czech Republic | 11 | <1% |
| Pakistan | 11 | <1% |
| Saint Kitts & Nevis | 10 | <1% |

Source: GAO analysis of FinCEN data

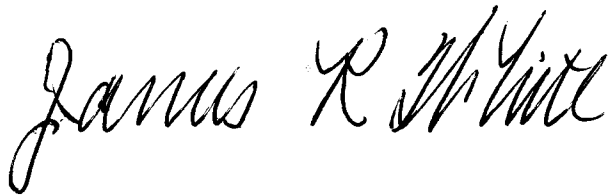
^a Percent refers to the percentage of the 12,889 FBARs filed by 2009 OVDP participants for 2008 that reported at least one financial account with a mailing address in that country. For example, 5,427 of the 12,889 FBARs (or 42%) reported at least one foreign bank account in Switzerland. There were 21, 2-digit codes that appeared a total of 113 times, but did not match any country/territory codes on the FinCEN list.

We provided the information included in this product to IRS for technical review, and IRS did not identify any suggested changes.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of the report to the Chairmen and Ranking Members of other Senate and House committees and subcommittees with appropriation, authorization, and oversight responsibilities for IRS. We are also sending copies to the Commissioner of Internal Revenue, the Secretary of the Treasury, the Chairman of the IRS Oversight Board, and the Deputy Director for Management of the Office of Management and Budget. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions or wish to discuss the material in this report further, please contact me at (202) 512-9110 or at whitej@gao.gov. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report were Tara Carter, Mark Kehoe, Libby Mixon, and Andrew Stephens.

Sincerely yours,

A handwritten signature in black ink that reads "James R. White". The signature is written in a cursive style with a large, stylized initial "J".

James R. White
Director, Tax Issues
Strategic Issues

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