

GAO Highlights

Highlights of [GAO-19-180](#), a report to congressional committees

Why GAO Did This Study

Concerns over efforts by U.S. taxpayers to use offshore accounts to hide income or evade taxes contributed to the passage of FATCA in 2010, which sought to create greater transparency and accountability over offshore assets held by U.S. taxpayers.

House Report 114-624 included a provision for GAO to evaluate FATCA implementation and determine the effects of FATCA on U.S. citizens living abroad. GAO—among other things—(1) assessed IRS’s efforts to use FATCA-related information to improve taxpayer compliance; (2) examined the extent to which Treasury administers overlapping reporting requirements on financial assets held overseas; and (3) examined the effects of FATCA implementation unique to U.S. persons living abroad.

GAO reviewed applicable documentation; analyzed tax data; and interviewed officials from IRS, other federal agencies and organizations, selected tax practitioners, and more than 20 U.S. persons living overseas.

What GAO Recommends

GAO is making one matter for congressional consideration to address overlap in foreign asset reporting requirements. GAO is making seven recommendations to IRS and other agencies to enhance IRS’s ability to leverage FATCA data to enforce compliance, address unnecessary reporting, and better collaborate to mitigate burdens on U.S. persons living abroad. State and Social Security Administration agreed with GAO’s recommendations. Treasury and IRS neither agreed nor disagreed with GAO’s recommendations.

View [GAO-19-180](#). For more information, contact James R. McTigue, Jr. at (202) 512-9110 or mctiguej@gao.gov.

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FOREIGN ASSET REPORTING

Actions Needed to Enhance Compliance Efforts, Eliminate Overlapping Requirements, and Mitigate Burdens on U.S. Persons Abroad

What GAO Found

Data quality and management issues have limited the effectiveness of the Internal Revenue Service’s (IRS) efforts to improve taxpayer compliance using foreign financial asset data collected under the Foreign Account Tax Compliance Act (FATCA). Specifically, IRS has had difficulties matching the information reported by foreign financial institutions (FFI) with U.S. taxpayers’ tax filings due to missing or inaccurate Taxpayer Identification Numbers provided by FFIs. Further, IRS lacks access to consistent and complete data on foreign financial assets and other data reported in tax filings by U.S. persons, in part, because some IRS databases do not store foreign asset data reported from paper filings. IRS has also stopped pursuing a comprehensive plan to leverage FATCA data to improve taxpayer compliance because, according to IRS officials, IRS moved away from updating broad strategy documents to focus on individual compliance campaigns. Ensuring access to consistent and complete data collected from U.S. persons—and employing a plan to leverage such data—would help IRS better leverage such campaigns and increase taxpayer compliance.

Due to overlapping statutory reporting requirements, IRS and the Financial Crimes Enforcement Network (FinCEN)—both within the Department of the Treasury (Treasury)—collect duplicative foreign financial account and other asset information from U.S. persons. Consequently, in tax years 2015 and 2016, close to 75 percent of U.S. persons who reported information on foreign accounts and other assets on their tax returns also filed a separate form with FinCEN. The overlapping requirements increase the compliance burden on U.S. persons and add complexity that can create confusion, potentially resulting in inaccurate or unnecessary reporting. Modifying the statutes governing the requirements to allow for the sharing of FATCA information for the prevention and detection of financial crimes would eliminate the need for duplicative reporting. This is similar to other statutory allowances for IRS to disclose return information for other purposes, such as for determining Social Security income tax withholding.

According to documents GAO reviewed, and focus groups and interviews GAO conducted, FFIs closed some U.S. persons’ existing accounts or denied them opportunities to open new accounts after FATCA was enacted due to increased costs, and risks they pose under FATCA reporting requirements. According to Department of State (State) data, annual approvals of renunciations of U.S. citizenship increased from 1,601 to 4,449—or nearly 178 percent—from 2011 through 2016, attributable in part to the difficulties cited above.

Treasury previously established joint strategies with State to address challenges U.S. persons faced in accessing foreign financial services. However, it lacks a collaborative mechanism to coordinate efforts with other agencies to address ongoing challenges in accessing such services or obtaining Social Security Numbers. Implementation of a formal means to collaboratively address burdens faced by Americans abroad from FATCA can help federal agencies develop more effective solutions to mitigate such burdens by monitoring and sharing information on such issues, and jointly developing and implementing steps to address them.