

OVDI
Offshore Voluntary
Disclosure Initiative
South Atlantic Area

Plantation, FL
February 12-14, 2013

Primary Resources

- ▶ National SharePoint
 - [Offshore Voluntary Disclosure](#)
- ▶ South Atlantic Area Resource SharePoint
 - [OVDI Library \(SAA\)](#)

e-Trak

► Why important?

- Centralizes data on offshore banks/financial institutions
- Allows identification of related cases

e-Trak *(continued)*

- ▶ How (and when) to use
 - Input Examiner information as soon as case is assigned
 - Enter account information (FBAR data) as soon as the information is available
 - Complete other screens (Foreign entities) as information is available
 - Do not wait until case is ready to close!

e-Trak *(continued)*

▶ GM's Responsibility

- Ensure e-Trak completed for each case closed from the group
- Review can be delegated to Grade 13 RA
- Document the case file activity record (F9984)

Reconciling RGS Setup

- ▶ RAR MUST = latest tax per module
- ▶ TC 150 is just the start
- ▶ Has 1040X been processed? Have there been unrelated adjustments?
 - **TC 971** – A miscellaneous transaction which performs different actions based on the action code. (AC10)
 - **TC 976** – A posted duplicate return.
 - **TC 977** – An amended or 1040X return.
 - **TC 290 through TC 309** – Tax Adjustments
 - Other Credit Adjustments
- ▶ Utilize IMFOLA and IMFOLR
- ▶ TRDBV
- ▶ True variances are fine

- MUST reconcile transcripts before preparing F906.
- Keep in mind that the original figures on the 1040X may be inaccurate or not up to date to include perhaps a CP2000 adjustment.
- Ensure whether or not the OVDI 1040X has not already been processed.
- Not all 290s involve a tax adjustment
- If you need an original older return data, try using TRDBV as it may still be online while RTVUE will already have been removed.
- Do NOT try to force numbers to work (balance) in RGS, if there is a true variance document it and move on.

Reconciling RGS Setup

- ▶ LOADER (Transcript Analysis)
- ▶ Must reconcile tax per return or previously adjusted (Line 12 of 4549A) to latest transcript (IMFOLT)
- ▶ Originally filed 1040s
- ▶ IMFOLA
- ▶ Quick Assessment information

The starting point for RGS is to match your return set-up to the taxpayer's account information: That's why we stress this step and it is a mandatory document in the case file.

(b)(3) 6103(a)



- Refundable credits such a EITC and ACTC may adjust on their own TC code.
- Taxes withheld may adjust if a W-2 was not reported.
- What changed? Try to get info from taxpayer, but a lot of times you can determine the changes on your own.

(b)(3) 6103(a)



- IMFOLR is a snapshot of key return items, but unlike the RTVUE may be adjusted per tax adjustments to the module.
- Every item does not change, but just the ones that are key in reassessing the tax. In most cases it will be limited to taxable income and AGI changes as shown on the IMFOLA next.

(b)(3) 6103(a)



- The IMFOLA items are the same as those that are on the F5344 Item 15. You can use IRM 4.4.12 or Doc 6209 to decipher what the references are.

(b)(3) 6103(a)



- The IMFOLA only shows the main items that change in order for MF to re-compute the tax. It does not list all the statutory adjustments as those are implied.

(b)(3) 6103(a)



- A TP may forget to update their return to reflect a CP2000 adjustment. Again, IMFOLA can help you determine the unreported income. There is a RSN code for each IMFOLA set that is deciphered in Doc 6209.
- Restate, get the correct info from the taxpayer, they may still have the CP2000 letter or in the case of this example, copies of the F1045.

(b)(3) 6103(a)



- TXMOD will display pending transactions that are not always yet captured by IMFOLT. You can access the pending transactions with definer code A or L.
- Definer code L will just provide the pending transactions.
- Definer code A will provide all TXMOD information as shown on the slide.
- Review before issuing F906 and closing case.

Quick Assessments (QA)

- ▶ Look for TC 290s proximate to the date stamps on F1040Xs submitted for OVDI
- ▶ Compare taxable income (TI) and AGI on IMFOLR to the 1040X amounts
 - If TI/AGI on F1040X match the amounts on IMFOLR, the 1040X has been processed (not a QA)
 - *If TI/AGI on F1040X do not match the amounts on IMFOLR, then a QA has been processed and*
- ▶ Use Quick Assessment guide for RGS setup

Using RGS to update AGI/TI for Quick Assessment years

- ▶ AGI/TI are not updated when a QA is made.
- ▶ Using these procedures require you to take some extra steps when preparing F5344:
 - Item 35
 - Items 12 and 15 for penalty information
- ▶ Procedures for using RGS processes to update have some benefits:
 - No F3870 for you to prepare and for CCP to process
 - F4549-A adjustments will (generally) match the paragraph 1 grid(s) on F906
 - F4549-A will reflect the total tax previously paid without having to reconcile 1040X items to RGS return set-up.

RGS Reminders

- ▶ Use the key case project code for all prior/subsequent years
- ▶ Work unit code 70
- ▶ Total Tax Shown on Return or as Previously Adjusted, Line 12 of 4549A, **must** match the LOADER

Work Unit Code

Case Management [?] [X]

Active | Recent | Create Case | Pending Cases | IDRS Download

TIN and name:
TIN: Secondary SSN:

Name:

Name control:

Buttons: Add Case, Cancel, Add to Pending Cases, Clear Fields, Add Case - CQE File

Case information:

Form type: MFT code: Tax period:

Plan number: Plan type: Work unit code:

Source code: Activity code: Project code: Tracking code:

Post of duty code: Status code: Universal location:

Claim type: Claim amount:

SFR indicator:

AIMS assignee codes

Primary Business: Secondary business: Employee group:

RGS: Manually computed penalties

- ▶ Manually computed penalties for processed 1040X's and QA's
- ▶ 1291 PFIC: Manually computed penalty based on deficiency without the interest component ("Other Taxes")

Transferring payments to other years (using F5344)

▶ Overpayments

- Overpayment year: Posting delay code 3
- Deficiency year(s): Hold code 1

▶ Refunds

- Refund year: Posting delay code 1
- Deficiency year(s): Hold Code 1

OVDI Statutes

YY Alpha Code – IRM 25.6.23-3 “Blanket” YY Memo

- Quick Assessments
- Consents
- Taxpayer cooperation

•Years with “barred” statutes, probably 2003 through 2007 for most of these cases, will have the statute updated with the “YY” Alpha code. Once you close your case to Tech Services and the F906 is executed by the Service, the statute will be updated to “AB”. An assessment can be made with the AB Alpha code, not with YY. The YY alpha code is also used in another way with the OVDI cases.

•If there are 30 days or less on a statute when you receive the case, then you should update the statute to YY. Reference the SAA blanket YY memo for TM approval. As with any ASSED update, your manager will have to approve, also.

•If you have a valid (signed) amended return with tax due and insufficient time to complete the certification or you cannot obtain a statute extension, you should process a quick assessment for that year. Instructions for quick assessments are on the SAA SharePoint.

•As with any examination case, you are charged with protecting the live statutes on all of your OVDI cases. If you are within the 180 days of the statute expiration date, discuss with your manager, and if you are within 60 or 90 days of closing the case with the F906, you may not need to obtain the statute extension consent.

• Although the taxpayer retains the right to not sign the consent, taxpayers in the OVDI program have a requirement to cooperate with you in all aspects of your certification of the accuracy and completeness of their disclosure. Therefore, if you need additional time to complete the certification, the taxpayer has an obligation to cooperate with you, including signing the statute extension consent.

•It is important for us to protect all the open year statutes for the possibility that the taxpayer may opt out or we may remove them from the OVDI program. In either case, regular examination procedures are used and we can only assess additional tax in the years for which the ASSED has not expired.

•In the case of opt out or removal cases, you may have additional time on the ASSED for 2006 and subsequent years based on the FATCA amendments to 6501(a). Another awareness

issue concerning statutes and opt out/removal cases concerns barred statutes. A refund of previously paid amounts will not occur unless the taxpayer makes a specific claim for refund within 2 years of the date of the payment or before the statute of limitations for assessment for that year is expired. See IRC Section 6511.

Inventory Management Tool

- ▶ Information to be provided to Grace Flowers each month
- ▶ How other groups in the South Atlantic Area use the tool

Opt-Out and Removals (OORs)

- ▶ The taxpayer/rep raise the Opt-Out issue
 - Their only alternative, if they do not agree to the terms of the program (FAQ #s 49 and 51)
- ▶ Lack of timely response from taxpayer/rep
 - Consider removal (we initiate)
 - Determine if taxpayer/rep plan to opt-out (they initiate)

OORs *continued*

▶ Opt-out cases

- Engage the taxpayer/rep in a detailed conversation to explain the potential consequences of their opt-out decision
- Try to issue the F906 (before their opt-out decision becomes "final")

OORs *continued*

- ▶ Be prepared to discuss the FAQ 51.1 – 51.2 scenarios with the taxpayer/rep
- ▶ Involve your manager early in the process
- ▶ Contact the TA at any time
 - Is OOR really the best process for your taxpayer?
 - For help with determining what the OOR consequences will be for your taxpayer
 - To participate in conference calls with you, the GM, and the taxpayer/rep

OORs *continued*

- ▶ Decision Made to Opt out/Remove
 - Issue letters and F906 at earliest stage
 - Prepare OORC (OOR Committee) package (Run it by the TA first)
- ▶ Developing the Examination Case after OOR
 - Income Tax
 - Penalties (FBARs, FTF Info reports, CFP)

OORs *continued*

- ▶ 2011/2012 OVDI FAQs 51 and 51.1 through 51.3
- ▶ Check the National OVD SharePoint for the most current information
- ▶ OVDI Library (SAA)-Tools for OOR case examinations

Streamlined Process

- ▶ Link to announcement and terms ([irs.gov](https://www.irs.gov))
- ▶ May apply to OVDI participants who are non-residents and non-filers
 - If your taxpayer meets these criteria and is “low-risk”, discuss with your TA
- ▶ How to convert OVDI case to Streamlined Process case
 - Generally, the taxpayer will be required to opt out

