



[Individuals](#) [Businesses](#) [Tax Professionals](#) [Governments](#) [Charities & Non-Profits](#) [Multilingual](#)

[Taxpayer First Act](#) **Streamlined Filing Compliance Procedures – A Compliance Option for Some Taxpayers**

[Affordable Care Act](#)

[Bank Secrecy Act](#)

[Business Expenses](#)

[Business Income](#)

[Changing Your Business](#)

[Disaster Information](#)

[Employers](#)

[Filing and Paying Taxes](#)

[IRS Audits](#)

[IRS Liens](#)

[Post-Filing Issues](#)

[Resources](#)

[Retirement Plans](#)

[Scams and Fraud](#)

[Starting a Business](#)



[Small Business Tax Workshop](#)

Transcript

Mario: Hello, everyone, and welcome to today's presentation -- Streamlined Filing Compliance Procedures: A Compliance Option For Some Taxpayers.

Before we begin, we'd like to extend a welcome to any participants from the news media.

If you are with the media, you may call IRS media relations at 202-317-4000.

Again that number is 202-317-4000 with your contact information.

Our media relations staff can assist in clarifying the discussion or answering any questions you might have following the presentation.

Much of the information we're sharing today is available on IRS.gov.

For your convenience, we have provided you with a pdf file of this presentation to download, print, and take notes on.

It includes helpful resources we will mention today.

If you did not notice it previously, please look for the link to download the file on the webinar page.

You can ask questions during the webinar by clicking the "Ask a Question" link under the PowerPoint window and selecting the "submit" button.

At the end of the presentation, we will answer as many questions as time allows.

Please limit your questions to the topics covered in the webinar today.

Please do not ask questions about specific situations.

We cannot provide guidance for individual situations in this forum.

Also, please avoid disclosing any sensitive or identifying information about you, your business, your clients, or anyone else when you submit a question.

If you have any technical issues during the presentation, you may call the following number for assistance 888-858-3240 or 954-935-7767.

Again those numbers are 888-858-3240 or 954-935-7767.

We have also included a brief exit survey at the end of this presentation.

Once the meeting is concluded, you are encouraged to take it.

Finally, I would like to remind our audience that the information contained in this presentation is current as of the date we filmed the webinar and that it should not be used or cited as precedent.

The program will be archived on our website at IRSvideos.gov for later viewing if you want to review what we cover or recommend in this program to others.

That does it for the administrative information.

So let's turn it over to today's presenters.

Christine Stone, OVDP coordinator, Technical Specialist, W&IC/LB&I, and Daniel Price, attorney, IRS office of Chief Counsel, SBSE.

Daniel Price: Welcome to our webinar today on the Streamlined Compliance Filing Procedures.

At various times during our webinar, we may refer to these procedures as simply the streamlined procedures.

This webinar provides basic information about the streamlined procedures and how you may be able to use them to come into tax compliance and compliance to report certain foreign financial accounts.

We truly hope that you find this presentation helpful and informative.

Now let's turn to our presentation agenda.

We will briefly highlight four special options available for taxpayers to become compliant with offshore tax and foreign bank account reporting issues.

We will show you where to find the necessary information on IRS.gov.

Then we'll have a focused discussion on the streamlined filing compliance procedures.

And finally, we'll walk through the certification forms needed for the streamlined procedures.

So let's talk about the four major offshore compliance options available to taxpayers.

Individual taxpayers have four main special options for coming into compliance with offshore issues.

We use the term offshore to mean both income tax and other reporting requirements of U.S. taxpayers with foreign financial assets such as foreign bank accounts.

Number one, the offshore Voluntary Disclosure Program.

This is often abbreviated OVDP.

OVDP is intended for taxpayers who have criminal exposure or significant civil penalty exposure.

IRS criminal investigation has a long history of accepting voluntary disclosures, but the scope of offshore problems required a uniform method to handle cases.

When taxpayers come forward voluntarily and report their previously undisclosed foreign accounts and assets, they can avoid prosecution and limit their penalty exposure to a set civil penalty structure.

Under OVDP, taxpayers agree to a uniform penalty structure which allows the IRS to centralize civil case processing.

This allows the IRS to resolve a large number of cases without examination.

Each and every case completed through OVDP is finalized with a Specific Matters Closing Agreement.

That might be a term you are not familiar with, but a Specific Matters Closing Agreement is similar to a contract between the IRS and a taxpayer.

It provides both certainty and closure.

Number two, the streamline filing compliance procedures is a filing procedure not a program like OVDP.

These procedures allow taxpayers whose failure to comply with requirements to report offshore income and assets was non-willful to become compliant with reduced or no penalties.

The streamlined procedures were introduced for taxpayers who don't need criminal protection and don't have exposure to significant civil penalties.

Please note that both OVDP and the streamlined procedures are currently open-ended.

This means that they may be terminated at any time in the future.

Number three, delinquent FBAR procedures are intended for taxpayers who are tax compliant and who failed to file FBARs.

Taxpayers using this procedure must file delinquent FBARs electronically with FinCEN and explain why they're filing late and we will talk more about this in detail.

Fourth, the delinquent foreign information return procedures are for taxpayers who haven't filed required international information returns, who have reasonable cause for their failure to file those information returns and who are not under civil examination or criminal investigation.

You can find more information on all four of these options on IRS.gov.

Next, let's talk a little more about some statistics concerning OVDP and streamlined.

These statistics are as of October of 2015.

OVDP has been very successful.

Since 2009, there have been over 54,000 submissions to the offshore voluntary disclosure programs.

This has resulted in more than \$8 billion of tax, interest, and penalties being collected.

Since streamlined procedures were first announced in 2012, more than 30,000 taxpayers have come forward.

Two-thirds came forward after the service announced the expanded eligibility criteria in June 2014.

This presentation focuses specifically on the 2014 streamlined procedures.

There are some good reasons for the 2014 streamlined procedures.

Before the 2014 streamlined procedures were offered, the IRS offered one main compliance option for taxpayers, that's OVDP.

Taxpayers without criminal exposure or significant penalty exposure would enter OVDP and then opt out.

What do we mean by criminal exposure?

We use the general term criminal exposure to refer to taxpayers whose conduct was willful and meets the elements of certain tax crimes defined by Congress.

In other words, criminal exposure means exposure to jail time or criminal probation.

So for some taxpayers who clearly had no criminal exposure or significant penalty exposure, their only option was to enter OVDP and then opt out to seek lower penalties.

This was a time-consuming and resource-consuming process.

For a period of time, the IRS offered the 2012 streamlined procedures but eligibility was very limited to certain non-resident, non-filers.

The IRS realized a new compliance option was needed.

This slide shows quotations of a speech that Commissioner Koskinen gave in June of 2014.

The real gist of this is that the IRS wanted to provide a compliance avenue for non-willful taxpayers.

So let's talk some more about the 2014 streamlined procedures.

They were effective July 1, 2014.

They're currently open-ended but the service can close or terminate these procedures in the future.

The new procedures provide for two broad categories, streamlined foreign offshore, and we'll often reference this as an acronym SFO, and streamlined domestic offshore.

We'll often reference this as the acronym SDO.

SFO is determined based upon residency requirements.

Those that don't meet the residency requirements may be eligible for SDO.

The penalty structures differ depending upon the category.

SFO imposes no penalties.

SDO imposes a 5% penalty called a miscellaneous offshore penalty on certain foreign financial assets.

We will talk about this in great detail later in the presentation.

Both SFO and SDO require a non-willful certification from participants.

All income tax and information returns submitted through the 2014 streamlined procedures will be accepted and processed by IRS submission processing.

This is the same IRS function that processes tax returns each filing season.

These submissions may be subject to future examination, just like any other income tax return you file with the IRS may be subject to future examination.

Future compliance is expected.

Both income tax and FBAR compliance in future years is expected of all people that use the streamlined procedures.

You may be asking, "Where do I find specific information about these special procedures?" This slide shows the IRS.gov website.

In the search portion at the top right-hand side of the page, you can type in "options available for U.S. taxpayers with undisclosed foreign financial assets." If you run that search, the following slide will show the results.

This page, options available for U.S. taxpayers with undisclosed foreign financial assets, shows four primary compliance avenues.

As you can see, the four different options we discussed earlier are listed.

Since this presentation is focused on the streamlined procedures, click on number two for streamlined filing compliance procedures.

This slide shows the main page for the streamlined procedures.

On the right in the circled area, you will see links for the other offshore compliance options such as OVDP.

The main page tells you the purpose of the procedures and provides general eligibility requirements.

Focusing on the lower left portion of the web page, notice links for the two categories for streamlined taxpayers.

U.S. taxpayers residing in the United States, also abbreviated SDO, and U.S. taxpayers residing outside of the United States, abbreviated SFO.

The next slide will show you the SFO link.

Once you're on the SFO web page, scroll up and down for specific instructions and links to necessary forms.

Notice the circled portion at the lower left of the web page.

You will see a link to frequently asked questions specific for SFO taxpayers.

Frequently asked questions or FAQs are added as needed.

Before you make a submission, please check to make sure you have read all of the FAQs.

You can find separate FAQs tailored for each procedure in the same area on their respective web pages.

The following slide shows streamlined procedures resources on IRS.gov.

The complete web addresses are provided for your reference.

Now let's hear from Christine.

Christine Stone: Thanks, Dan.

Let's now discuss the general eligibility requirements for the 2014 streamlined procedures.

So to be eligible, the taxpayer must be a U.S. individual or estate.

These procedures or not available for non-resident aliens who file Form 1040NR or for corporations.

Streamlined taxpayers must have failed to report foreign financial assets and pay all tax due with respect to those assets.

And when we talk about the failure to report income, we mean gross income amounts and not the net tax effect.

For example, if a U.S. person earns foreign wages and it tends to claim the foreign earned income exclusion that would reduce their taxable income to zero, they are still deemed to have a filing requirement.

So don't confuse this example with a taxpayer that does not meet the thresholds required to file a return.

However, in some situations, a taxpayer who does not meet the filing thresholds but who is required to file certain international information returns, they may want to consider using the streamlined procedures to file returns in order to come into compliance.

For streamlined eligibility, the taxpayer will be required to certify under the penalties of perjury that their action was non-willful, and we'll discuss what non-willful means later.

Also, the taxpayer cannot currently be under IRS examination and the taxpayer must have a valid tax identification number.

So we just said that the taxpayer must have a valid taxpayer identification number.

So that would be either a social security number or an ITIN, and an ITIN is an individual taxpayer identification number.

If you are not eligible for a social security number and you do not already have an ITIN, you can request an ITIN with your streamlined submission.

You can find instructions on IRS.gov by searching ITIN.

On the other hand, if you are eligible for a social security number but have not yet requested it, you will need to obtain the social security number before you can make a submission under the streamlined procedures.

The streamlined procedures are broken down into two categories of taxpayers.

Dan previously talked briefly about the SFO, foreign taxpayers, and the SDO, domestic taxpayers.

So once you have determined that you meet the general eligibility requirements for streamlined, you will need to determine which category you fall into.

The primary factor in making this determination will be the SFO non-residency requirement, which we're going to talk about in detail on the next slide.

But in general, to be considered an SFO taxpayer, first you must meet the non-residency requirement.

You can also be either a filer or a non-filer, which means you can submit delinquent Forms 1040 or 1041, or you can submit amended returns on Forms 1040X with your submission package.

Again, the Forms 1040NR are not processed through the streamlined procedures because they are not for U.S. persons.

SFO taxpayers will not be subject to any penalties.

That means there will be no accuracy penalty, no delinquency penalty, and no miscellaneous offshore penalty.

All taxpayers who fail the SFO non-residency requirement and who filed tax returns will default into the category called SDO.

So SDO taxpayers fail the SFO non-residency requirement and can only file amended tax returns.

So in another words, the SDO taxpayer cannot be a delinquent non-filer.

If you are classified as an SDO taxpayer, the accuracy related and the failure to pay penalties will continue to be suppressed, but you will be subject to a 5% miscellaneous offshore penalty which is in lieu of all other potential penalties.

And we'll talk about the miscellaneous offshore penalty later.

To summarize, the key difference between SFO and SDO is first the non-residency requirement, next, the classification as a filer versus a non-filer and finally, the applicability of the 5% SDO

miscellaneous offshore penalty.

As we said, the key for determining if you are SFO versus SDO is the residency requirement.

For you to meet the non-residency requirements in any one of the last three years, you cannot have had a U.S. abode and you must be physically outside the U.S. for more than 330 full days in a calendar year.

You only need to meet the non-residency requirement for just one of the last three years in your streamlined submission period.

If you're making a joint submission, both taxpayers must meet the non-residency requirements to be considered SFO.

We do have several examples on IRS.gov that illustrate the non-residency status for streamlined procedures.

We realize that some taxpayers may fail to qualify for both SFO and SDO.

We generally refer to these taxpayers as snowbirds.

They are taxpayers with significant U.S. presence but consider themselves residents of another country like Canada or Mexico.

The 330-day test is a firm rule for the streamlined procedures and because these taxpayers are in the U.S.

for a significant period of time, they fail the non-residency test for which they would then default to the SDO.

However, some of these same taxpayers are also non-filers.

And as we said earlier, SDO taxpayers cannot be non-filers.

So these snowbirds cannot use SFO because of their U.S. presence and they cannot use SDO because they were non-filers.

There is no special provision for a taxpayer that falls into this category.

So they're not eligible to use the streamlined procedures, but they may use other IRS procedures to come into compliance.

If they can show reasonable cause, penalties may be evaded.

So now that you have determined that you are in fact eligible to use the streamlined procedures, what are the terms?

What are you agreeing to?

Central to the streamlined procedures is that you must provide a non-willful certification which is signed under the penalties of perjury.

Each category of taxpayer has their own certification form.

For SFO it is Form 14653 and for SDO it is Form 14654.

The non-willful certification is a narrative including the specific reasons for the failure, including the whole story with both favorable and unfavorable facts, and we will cover this in more detail later.

The terms of the program require you to include the most recent three years of U.S. tax returns for which the due date or a properly applied for extended due date has passed.

And this would also include all required foreign information returns, such as the Form 3520 for foreign trusts, form 5471 for foreign corporations, and Form 8938 related to foreign assets.

In addition, you must also provide the most recent six years of FBAR returns for which the due date has passed.

Under the terms, you are agreeing to retain records for six years and that you will provide them upon request.

Tax returns submitted under the streamlined procedures will be processed like any other return submitted to the IRS and consequently, receipt of the returns will not be acknowledged.

After a taxpayer has made a streamlined submission, you are expected to comply with U.S. laws for all future years and file returns according to the regular filing procedures.

Later, we will walk through the two certification forms, but we want you to know that the forms were recently revised in February of 2016.

The newest version of the forms can be accessed by clicking on the links embedded in the specific instructions found on the eligibility page that we showed you earlier or by typing the form number in the Forms and Pubs search field on IRS.gov.

But remember, please use the most recent forms that are available on IRS.gov.

Be wary of using any forms from a non-IRS website, as they may offer out-of-date forms.

So which tax returns do you need to file?

Let's walk through some examples.

And we're going to use today's date of May 11, 2016.

So you've already filed your 2015 tax return.

Since you have filed your tax return, the due date is considered as having passed.

Your submission years would be 2013, 2014, and 2015.

Let's look at another example.

We are still going to use today's date of May 11, 2016, but now we're going to assume that you have not filed your 2015 tax return, but you have requested an extension of time to file.

Since the due date of your 2015 tax return has not passed, we will need to look at the 2012, 2013, and 2014 tax returns because those are the three most recent years that the due date has passed.

If your most recent three years returns are fully compliant or one or maybe two of the most recent three years, you will need to enter the words "fully compliant" on your certification form and we will show you, when we walk through the forms where you would put this.

I want to quickly talk about FBAR.

Once you have determined that you're required to file an FBAR, you must electronically file all of your FBAR returns.

And that includes the current period FBAR returns and any prior years delinquent or amended FBAR returns.

You file electronically using the secure BSA E-filing system and that system can be addressed at the website shown on the slide.

The due date of an FBAR return is June 30th of the following calendar year and there are no extensions.

So, the due date for the 2015 FBAR is June 30, 2016, with no ability to extend.

I do want to point out that starting in 2016, so next year, the FBAR due date will be changing to April 15th, so please be on the lookout for additional guidance published by FinCEN regarding future filing dates.

Daniel Price: We've mentioned non-willful several times already in this webcast.

IRS.gov provides a definition of non-willful for the streamlined procedures.

Non-willful conduct is conduct that is due to negligence, inadvertence, or mistake or conduct that is the result of a good faith misunderstanding of the requirements of the law.

For the streamlined procedures, the service or IRS will apply the presumption that a taxpayer was non-willful unless facts indicate otherwise.

Each and every case will be evaluated based on all available facts and circumstances.

We've provided guidance in the form of FAQs and in revised forms on IRS.gov.

Let's look at what's expected when certifying non-willful conduct.

Christine Stone: Okay, as Dan just promised, on the next few slides, we will discuss the non-willful certification in detail.

The certifications include statements or narratives that are provided in writing and under the penalties of perjury.

You may have several offshore activities, for example, you might have wages from employment overseas or you may have rental properties or investments.

You need to certify that each activity was non-willful.

So when preparing the certification, you cannot bifurcate or split the activities, meaning if one activity was willful and the other activities were non-willful, they will all be considered willful.

In your narratives, you need to paint a complete picture of all the facts and circumstances, providing specific reasons as to why the income was not reported and why information returns were not filed.

When writing your narrative, you should reference the FAQs, specifically FAQ number 6 for SFO taxpayers and FAQ number 13 for SDO taxpayers.

I cannot emphasize enough that you need to paint the whole picture, listing out the specific reasons, whether favorable or unfavorable to you.

You will want to include your personal background, educational background, employment, and financial background and anything else that you believe is relevant to your failure to report all income, pay all tax, and submit all required information returns including the FBAR.

You want to explain the source of your funds, how did you acquire the assets, did you inherit them or were they a gift?

Or did you earn them from employment and accumulate a savings account while residing in a foreign country?

Did you have a business entity or trust?

What was the reason for creating the entity?

Also, you will want to describe your relationship with your financial advisor who managed the assets.

What method did you use to communicate with them?

And how often did you contact them?

Explain activity in the accounts, including how you made withdrawals, deposits, the frequency, and the decisions on investment and managing the assets.

Daniel Price: So the IRS has received many questions about explaining non-willful conduct.

Some of the most common include, what if I check no on Schedule B inappropriately?

What if I owned or controlled a foreign entity?

And what if I relied on professional advice?

Slide 24, in part, shows a blow-up of the bottom of Schedule B, which would be attached to a Form 1040.

That schedule includes a question about having a financial interest in or signature authority over a foreign financial account.

The IRS realizes that many taxpayers fail to acknowledge their financial interest in, or signature authority over, foreign financial accounts on Form 1040 Schedule B.

If you or your return preparer inadvertently check no on Schedule B lines 7A, please, simply provide your explanation.

We also realize that some taxpayers that owned or controlled a foreign entity such as a corporation, a foreign trust, a foreign partnership, and et cetera, failed to properly report ownership of the entity or transactions with a foreign entity.

If you or your return preparer inadvertently failed to report ownership or control of the foreign entity or transactions with a foreign entity, please explain why.

And include your understanding of your reporting obligations at that time to both the IRS and to foreign jurisdictions.

If you relied on a professional advisor in preparing your return, please provide the name, address, and telephone number of the advisor and a summary of any advice provided.

Also provide background, such as how you came into contact with the advisor and the frequency of communication with that advisor.

If married taxpayers submitting a joint certification have different reasons for their non-willful conduct, please provide the individual reasons for each spouse separately in the statement of facts.

Additional information is contained in SDO FAQ number 13 and SFO FAQ number 6 on explaining non-willful conduct.

Now let's focus on a miscellaneous offshore penalty.

We'll use the abbreviation MOP at times for this penalty.

The MOP only applies to taxpayers who use the streamlined domestic offshore procedure.

The MOP is in lieu of all other potential penalties.

The first step in computing the 5% SDO MOP is to determine the highest aggregate balance or value of the taxpayers' foreign financial assets, during the years and the covered tax return period and the covered FBAR period.

The highest aggregate balance is determined by tallying or aggregating the year-end account balances and the year-end asset values.

You need to look at three types of assets.

First, six years of assets that would be reported on FBARs.

So if the foreign financial asset wasn't reported on an FBAR but it should have been, then that asset would go into the penalty base.

Three years of assets that would be reported on Forms 8938.

If a foreign financial asset wasn't reported on the Form 8938 but should have been, it will be brought into the penalty base.

Finally, we'd focus on three years of tax compliance.

If the foreign financial asset was tax non-compliant even though it was properly reported on an FBAR or a Form 8938, it would be brought into the penalty base.

You might ask the question, what do we mean by tax non-compliant?

Well, any amount of income that was not reported from that asset would be tax non-compliance.

Additionally, the term foreign financial asset is defined in the instructions for FinCEN Form 114 and in IRS Form 8938.

SDO FAQ 6 provides some guidance on the miscellaneous offshore penalty.

It answers the question -- "How do I calculate the 5% penalty for streamlined domestic offshore filers?" It also provides an example.

When determining the highest aggregate balance for each year, note the following -- First, use year-end values.

Also, there are a few accepted accounts that don't need to be included in the highest aggregate balance.

For example, if you have no financial interest in an account, the balance of that account doesn't need to be included.

For example, having mere signature authority as an employee for an employer's account would be an example of not having a financial interest in an account.

Next, there's an exception for certain Canadian retirement accounts.

We have several SDO FAQs that address specific types of Canadian retirement accounts.

We'll also address a few specifics in subsequent slides.

If you became both tax compliant and filed required information returns and FBARs in the most recent years, but you were non-compliant in earlier years during the last six year look back period, you still might want to make a streamlined submission.

In that case, include the asset values in earlier years when computing the penalty.

If this situation applies to you, please review SDO FAQ number 7.

Now let's walk through a simple SDO example of computing the miscellaneous offshore penalty.

Slide 28 provides some background information for our example.

We have two accounts.

Account number one is a foreign financial account that's tax non-compliant.

Let's assume this account generated interest that was never reported on a Form 1040.

We have account number two, which was tax compliant.

We have rental property, which was tax non-compliant.

The rental income was never reported on a Form 1040.

And then we have land that was fully tax compliant.

Let's assume the taxpayer failed to file FBARs and Forms 8938.

So to compute the SDO highest aggregate balance, we need to identify the foreign financial assets required to be reported on FBARs and Form 8938.

Look at assets required to be reported in the six covered FBAR years and the three covered income tax Form 8938 years.

Getting back to the facts of this hypothetical, in this case the taxpayer has two bank accounts.

Account number one was tax non-compliant and account number two is tax compliant.

Taxpayer had rental property that was non-compliant and land.

To determine the highest aggregate balance, focus on the year-end balances of the foreign financial accounts.

In this case, only account one and two because they were the only assets required to be reported on FBARs and Forms 8938.

Even though rental property was tax non-compliant because rent income was not reported on the Form 1040, that's not included because it's not a foreign financial asset required to be reported on an FBAR or Form 8938.

Please note though, if the rental property was held through an entity like a foreign corporation, the analysis would change.

Also, if an account was closed during a year, enter zero as the year-end balance.

If you were compliant with all Form 1040, FBAR, and Form 8938 requirements for any year, then enter the year-end balance as zero and add a little note, like fully compliant year.

See SDO FAQ 6, which is on point.

So on this slide, number 28, we've listed all the year-end balances.

You can see that each year is totaled separately.

As shown circled in red, the highest overall year will be used.

That highest figure is the highest aggregate balance.

Multiply the highest aggregate balance by the penalty rate of 5% to determine the actual miscellaneous offshore penalty amount.

Now we need to provide a broad comment about the numbers in this hypothetical.

You may say, these are very high account balances, these are just illustrative.

We understand that taxpayers may have far lower account balances than those in this hypothetical.

We mentioned certain Canadian retirement plans earlier.

Revenue procedure 2014-55 was announced on October 7, 2014, to briefly summarize that revenue procedure.

It eliminates the requirement to file Form 8891 to elect deferral of income on these Canadian retirement accounts.

The revenue procedure now states that deferral is a deemed election that's also retroactive.

However, these accounts are still required to be reported on both FBARs and Forms 8938.

As we mentioned earlier, the service has specifically carved out these accounts from the miscellaneous offshore penalty.

But some very early SDO submissions included Canadian pension accounts in the penalty base.

If that happened to you or somebody you know, please read SDO FAQ 12.

If the failure to report a Canadian pension account on an FBAR or on a Form 8938 was a taxpayer's only compliance issue, then the taxpayer should use the delinquent FBAR and/or delinquent information return paths.

Please see SDO FAQ number 9.

Christine Stone: Okay, now it's time for an in-depth discussion of both the SFO and SDO certification forms.

As you can see from this slide, it's pretty hard to read what the form says.

So as we walk through, I will show you the full page of the form and then I will magnify the specific parts of the form that I am discussing.

First, let's concentrate on the streamlined foreign offshore form, Form 14653.

After we are done with the SFO form, we'll take a look at the SDO form highlighting the differences.

Just as a reminder, the SFO form is used by taxpayers who meet the non-residency test.

So let's start by looking at the selection of the form that's outlined in the red box.

It requests taxpayer identifying information.

And let's look at the next slide a little more closely.

This is probably the easiest part of the form and should be self-explanatory.

It asks you to enter your name, address, taxpayer identification number, and a telephone number.

And it's important that you include a telephone number in case the service needs to clarify or request additional information to perfect your submission.

If you look at the lower left corner, we have circled in red the note.

We want to point out that if you are filing a joint certification, even though the rest of the form uses the singular pronoun I, it's going to be interpreted as plural for both spouses making the submission.

Okay, now we're back to looking at the full page 1 of the Form 14653.

We have moved down the form and highlighted the second section in a red box.

This is the streamlined foreign offshore taxpayer's certification section.

Let's look at what it says on the next slide.

In the certification section, note the grid.

In the first column of the grid, it requires you to identify the three tax years of your certification, and we talked earlier about how to determine your submission years.

In the second column, you need to calculate and enter the amount of tax due or it could possibly even be a refund.

The third column is for the amount of interest due.

If you do not have a tool to compute the interest, don't worry.

The IRS will compute the interest for you and send you a bill for the amount due.

In the last column, the form will automatically compute the total per year and then the aggregate due for all years.

Earlier we mentioned that if you had a fully compliant year for one of your submission years, that you would write the words "fully compliant," and this is where you would do that.

Now let's move down to the section shown in the red brackets.

This lists what you are agreeing to, which we also talked about earlier.

We said that you are agreeing that you had tax or FBAR compliance failures, that you meet the eligibility requirements, that you agree you'll retain records, that your acts were non-willful and that you understand that the service may open an examination.

If you noticed the very last line underlined in red, it says that you meet the non-residency filing requirements, which we're going to talk about on the next slide.

The non-residency requirement certification starts on the bottom of page 1 and continues on the top of page 2.

So here you can see at the top of page 2 and the box in red is the continuation of the non-residency certification.

Let's look more closely.

Here we have underlined in red the basic non-residency rules that we talked about earlier.

Remember, you cannot have a U.S. abode and you must be physically outside the U.S.

for 330 full days in any one of the certification years.

As shown in the red circle, the SFO form requires you to list the three tax years of your streamlined submission and then you will have to check either the box "yes" or "no" for each year, indicating whether you were physically outside the U.S.

And remember, you only need to meet the non-residency requirement for one of the three years to be considered SFO.

If you are making a joint submission, both spouses must meet the non-residency requirement.

If one spouse fails, they both fail, and then they should consider applying to SDO.

Okay, now we're back to looking at the full page 2 of the SFO certification form.

The next part outlined in the red box is the narrative as to why you were non-willful.

This is where you will provide a detailed explanation of all the facts and circumstances that caused the failure to report income, pay tax, and file information returns.

As you are typing in the blue box, it will expand automatically if more space is needed.

If you're uncomfortable typing in the form, you can attach a narrative.

In the blue box simply write, "see attached." If using the attachment, please make sure to identify it as attachment to Form 14653 and be sure to label with your name and identification number.

So what does it say about writing the narrative?

We talked earlier about it, but it really bears repeating.

You need to include the whole story, favorable and unfavorable facts.

Again, you should comment on your personal, educational, and financial background.

Tell us anything you believe is relevant to your failure.

You will want to explain the source of the funds, the relationship to the foreign country, and the purposes of any foreign entities.

For all advisors you relied upon, provide their names and contact information.

Describe how you were introduced or came into contact with them and the frequency of your communications.

Did you meet face-to-face?

Did you talk on the telephone or by some other means?

Tell us what information you provided to them and what advice that they gave to you?

If you are married and are submitting a joint certification, and you and your spouse have different reasons to support your non-willful conduct, provide the individual reasons for each spouse separately in the statement of facts.

Try to be as specific and detailed as possible when writing your narrative.

Okay, moving on to the final section of the form, we come to the signatures, which start on page 2 and run over onto page 3 for the SFO Form 14653.

So here you can see the continuation on the top of page 3.

There are three different types of signatures.

First is the taxpayer's signature signed under the penalties of perjury.

And this is required.

It's self-explanatory.

All taxpayers should sign their certification form.

If the taxpayer has a fiduciary and this is common with estates, the fiduciary will need to sign on the taxpayer's behalf in the second set of signatures.

The fiduciary will also need to provide a completed Form 56 with all supporting documentation to show that they are authorized to act on the taxpayer's behalf.

A fiduciary is treated by the IRS as if he or she is actually the taxpayer.

Upon appointment, the fiduciary automatically has both the right and the responsibility to undertake all actions the taxpayer is required to perform.

For example, the fiduciary must file returns and pay any taxes due on behalf of the taxpayer.

For more information, you can refer to the instructions for Form 56.

If there is a paid preparer, they must sign the last section of the signature boxes.

For purposes of the certification, even if a paid preparer signs, the taxpayer must also sign the form and this requirement is similar to filing a Form 1040 tax return.

You have to sign your tax returns even if you have a paid preparer and that paid preparer has to sign the tax returns as well.

Now let's switch gears and look at the Form 14654 for streamlined domestic offshore taxpayers.

Remember that the domestic taxpayers must have filed tax returns.

This means that they will provide amended returns as part of their streamlined submission.

We're not going to cover the information on the form that is the same as the SFO certification.

Rather we will focus on the differences.

You can see from this slide that the first two boxes are essentially the same as the SFO form, and this is where the taxpayer provides their identifying information and enters the amount of tax and interest due for the three certification tax years.

So let's look at the first star on the left.

This bracket is similar to the SFO certification.

It shows a few basic items the domestic taxpayer is certifying, including that they failed to report income and pay tax and that they meet the eligibility requirements.

The section with the two stars to the left is special to the SDO taxpayer.

This bracket requires the SDO taxpayer to identify the specified foreign assets involved in the non-compliance.

So let's look at this section on identification of assets subject to penalty.

You will need to provide information for each asset for each year of the certification.

You can see that we have circled the year twice on the left.

You should enter the oldest year first and then each subsequent year.

Let's look at the circled numbers in the grid for the first year on the slide.

In the area corresponding to number one, the taxpayer will include the name and location of the asset.

For example, you could enter Bank A savings account or Bank A stock account or possibly ABC Corporation.

And this is so that there is no confusion identifying one asset from another.

The column number two corresponds to the account number.

Column three is the year the account was opened or the asset was acquired.

And finally, column number four is the asset value at year-end or December 31st.

If you disposed of the asset at anytime during the year, you would enter a zero for that particular year.

The form will total the asset values for each particular year for you.

If you happen to have more than three foreign financial assets, you will need to use an attachment sheet.

The continuation sheet needs to state your name and identification number and it must be signed.

If you use a continuation sheet, you can enter the totals from the attachment on the third line on the certification form.

If you do not have assets for a particular year and this may apply if you are fully compliant for both tax and information reporting in a given year, you should write "not applicable." And this slide shows page 2 of the SDO certification form, which is simply a continuation sheet for you to enter the asset values for each year separately.

The asset information grids continue and they end on the top of page 3.

After you have entered all the specific asset information, the certification wants you to compute the SDO miscellaneous offshore penalty that Dan talked about earlier.

So once you have prepared the asset balance information, the penalty computation is straight forward.

First, you will enter the HAB or the highest aggregate account balance for the year that has the highest total.

So you are going to need to compare each year's total from the previous section of the form.

Next, you will take that highest balance and multiply it by 5%.

This is your miscellaneous offshore penalty amount.

In the lower section of the computation, you will compute the total amount due.

So see where there is a little box with an "A" inside?

This tells you to go back to page 1 of the certification form.

From your page 1, you will enter the total tax and interest due for all years of the certification.

Now look at the little box with the "B" inside.

This tells you to copy the miscellaneous offshore penalty that you computed above.

The final box says "A" plus "B." You need to add the tax and interest with the miscellaneous offshore penalty and this will give you the total payment due with your submission.

After you finish the penalty computation and determine the total amount due for the certification, the form will continue with the certification terms.

Look at the star in red on the left side.

This section of the certification is unique to the SDO certification.

It basically says that you agree to the assessment of the miscellaneous offshore penalty that you just computed in lieu of all other applicable penalties.

You are also waiving any rights to seek a refund related to the miscellaneous offshore penalty.

The section below boxed in red is a continuation of items that you are agreeing to and these are the same as the SFO certification statements.

So we will not cover these again.

As we continue on to page 4 of the SDO certification form, you will see the same blue space for the narrative and then the start of the signatures under the penalties of perjury.

Again, this is the same for both the SDO and SFO certification forms.

And once again, the form ends with the signature lines.

These are the same for both forms.

So now I'm going to turn it back over to Dan to provide you with a summary of what we have discussed today.

Daniel Price: Let's summarize.

Who can make a streamlined submission?

Who can use the streamlined filing compliance procedures?

Well, these procedures are available to U.S. individuals or estates if you failed to report income related to foreign financial assets and if you can certify under the penalties of perjury that your failures were due to non-willful conduct.

Further, if you've not been notified that the service is conducting an examination or a criminal investigation, you can use these procedures.

Further, you must have a valid tax identification number to use these procedures.

Additionally, as of July 1, 2014, you must choose between using the OVDP and the streamlined filing compliance procedures.

Once you elect to use the streamlined procedures, you cannot later make a submission to an OVDP.

Let's recap. What should be filed?

There are specific filing instructions for both SDO and SFO submissions on IRS.gov.

This slide is a summary.

Please follow the current instructions shown on IRS.gov for the procedure that you intend to use.

For SFO, taxpayers should submit the last three years of amended or delinquent returns.

For SDO, taxpayers may submit only amended returns.

All related foreign information returns must be submitted.

It's important to clearly write on the top of your returns either "streamlined domestic offshore" or "streamlined foreign offshore." Please use red ink when you annotate those terms on the top of your submissions.

This will assist the IRS in directing your submissions properly.

Provide the appropriate certification forms.

Certify that you have electronically filed the last six years of FBARs with FinCEN.

Pay all tax and interest, and for the SDO, submit payment for the miscellaneous offshore penalty.

Slide 52 shows where you should file and mail your streamlined submission.

You will send your submission to the IRS address shown on the slide.

You will need to select either foreign or domestic for addressing purposes.

This address is also located in the instructions on IRS.gov.

What happens after you make a streamlined submission?

The streamlined procedures rely on routine return processing.

All returns are processed by the IRS Service Center in Austin, Texas, and are handled similarly to other income tax returns submitted to this IRS Service Center.

If your submission was incomplete, personnel in Austin will send you a letter.

If your submission was complete, you will receive no confirmation.

For example, when you file a paper Form 1040, the IRS doesn't send you a confirmation every year.

Streamlined procedures follow the same routine.

If you want confirmation of receipt, please use certified or registered mail with a return receipt.

Returns may subsequently be selected for examination.

Let's cover a few common errors the IRS has observed with streamlined submissions.

First and foremost, some certifications fail to include adequate narrative statements of fact providing specific reasons for the failure to report all income, pay all tax, and submit all required information returns, including FBARs.

FAQ 13 for SDO and FAQ 6 for SFO state that narrative statements must provide specific reasons.

Number two, occasionally taxpayers use non-standard non-IRS certification forms.

Please obtain your forms from IRS.gov.

Number three, sometimes taxpayers submit paper FBARs.

Effective July 1, 2013, FBARs were required to be filed electronically through FinCEN's e-filing system.

Please, don't submit paper FBARs.

Fourth, we occasionally see taxpayers that request pre-clearance requests or some other type of placeholders.

These requests appear intended to be placeholders by the taxpayers sometimes while they seek social security numbers.

But remember the streamlined procedures are different from OVDP.

They're not a program.

There's no preclearance and no placeholder.

There's no application to streamline, rather, this is a filing process.

Since the streamlined procedures were originally rolled out in the summer of 2014, they've been refined.

The streamlined procedures are somewhat dynamic as the IRS gains experience and learns what's working or not working, we try to adapt to make the process better for both taxpayers and internal processing.

Thus it's very important that you refer to IRS.gov for the most up-to-date information.

We use FAQs to clarify matters in order to make changes or clarify our intent.

The latest FAQs were released January of 2016.

Additionally, if you have questions, please contact the IRS OVDP and streamlined hotline.

We'll provide that contact information in the next slide.

This slide lists a few resources for you.

Your primary resource should be IRS.gov.

The address shown on this page will bring you to the four main offshore compliance options that we discussed at the beginning of this presentation.

From this page you can select the option that applies best to you.

Each option has its own set of relevant FAQs to provide clarification.

The IRS has a dedicated hotline staffed with personnel to answer OVDP and streamlined questions.

Our hotline will not provide case specific or legal advice, rather it provides answers to procedural questions.

That hotline number is listed on this slide.

Additionally, you may have questions about completing FBARs.

Slide 57 shows some resources available for you for additional information about completing FBARs.

FinCEN has its own website.

FinCEN also has its own phone numbers and e-mail address where you can ask questions.

Additionally, the IRS posted a one-hour webinar focused on preparing FBARs.

The webinar was taped June of 2014 and can be accessed on IRSvideos.gov.

Slide 58 provides some resources for Form 8938.

If you are unfamiliar with this form, please start with the instructions for Form 8938.

You can find additional information at the locations posted on IRS.gov in this slide.

Next Christine has some good news about an upcoming webinar.

Christine Stone: Thanks, Dan. We want to let you know about another event scheduled called Overseas Filing.

It will also be a webcast and it is scheduled for May 25th.

It will be recorded for future viewing as well.

The topics that will be covered include filing thresholds, foreign earned income exclusion, foreign tax credit, a little on FBAR and FATCA and we hope that you will consider attending.

Okay, this last slide can be used for future reference.

It is a nice summary of the four options that we have discussed throughout this presentation.

So that brings us to the end of our formal presentation.

We will stay on the line for a few more minutes.

If you have any questions, you can submit them using the "Ask a Question" button.

If you find that you have a question maybe later today or tomorrow or in the future, we encourage you to look at the IRS.gov, review the FAQs, or contact the hotline.

And we really want to thank you for your attendance today and we hope that you found this presentation valuable and informative.

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