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## *Financial Institutions*

### **Obama Proposal to Require FATCA Reporting To Account Holders Seen as ‘Wake-Up Call’**

**A**n administration proposal that would require banks to report to individuals under the Foreign Account Tax Compliance Act should be a signal to account holders that they can't rely on secrecy or confidentiality laws in other countries to keep their information safe, a practitioner said.

“It will be their wake-up call, possibly close to their final one,” Scott Michel, a member of Caplin & Drysdale, told Bloomberg BNA Feb. 3.

Included in President Barack Obama's fiscal year 2016 budget, released Feb. 2, the provision calls for account holders to get a copy of any FATCA reporting that banks send to the Internal Revenue Service.

**Beneficial.** Enacted in 2010, FATCA requires foreign financial institutions to report U.S.-owned accounts to the IRS or possibly face a 30 percent withholding tax on their U.S.-source income.

Michel said giving account holders copies of the reporting is “an idea that's beneficial to tax administration” because it is similar to reporting that banks are already sending taxpayers on the Form 1099. Taxpayers will be able to conform their tax filings to the information that the government has received and is expecting, he said.

With the FATCA reporting in hand, however, taxpayers are more likely to be penalized if they omit foreign reporting information from a tax return, he said. Simi-

lar to Form 1099 reporting discrepancies, “it will tilt the penalty balance far toward the government,” he said.

**Level Playing Field.** Jonathan Jackel, a partner at Burt, Staples & Maner LLP, said in a Feb. 3 interview that the administration's proposal makes sense and that “it's a little bit of a surprise that this wasn't required in the first place.”

Jackel said the requirement “sort of levels the playing field,” since different countries have different approaches to letting account holders know what information is being sent to the IRS under FATCA. For example, he said, in the U.K. individuals can request the data.

“By making everybody do the same thing, it helps put them on an equal footing,” he said. “It kind of has the flavor of something that may have come out of the experiences of implementing FATCA.”

Jackel pointed out that in the face of severe budget cuts, the government is seeking substantial resources to implement FATCA in the coming year—about \$71 million and 461 FTEs.

“Clearly they're saying it's going to take a major commitment and a lot of new people to make FATCA work as well as it should, and if they don't get it, you do sort of wonder how they're going to accomplish that,” Jackel said.

BY ALISON BENNETT

To contact the reporter on this story: Alison Bennett in Washington at [abennett@bna.com](mailto:abennett@bna.com)

To contact the editor responsible for this story: Cheryl Saenz at [csaenz@bna.com](mailto:csaenz@bna.com)