

## Highlights

- [\(1\) IRS to track debit and credit cards more closely.](#)
- [\(2\) Passport renewal may be prohibited if records show tax delinquency – proposed link between State Department and IRS.](#)
- [\(3\) Foreign Account Tax Compliance Act \(“FATCA”\) and its implications to U.S. taxpayers.](#)
- [\(4\) Offshore Voluntary Disclosure Initiative \(“2011 OVDI”\) due date extended to September 9, 2011.](#)

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### [\(1\) IRS to track debit and credit cards more closely.](#)

The 2008 Housing and Economic Recovery Act required that debit and credit card payments be tracked by banks and third-party payment settlement organizations and reported to IRS. The IRS is then to match the information with the income that business taxpayers report on their tax returns as part of an ongoing effort to improve tax compliance.

The Treasury Inspector General for Tax Administration (“TIGTA”) noted that payment settlement entities such as banks are supposed to report the merchant card and third-party payment information to the IRS on Form 1099-K, Merchant Card and Third Party Network Payments. The report acknowledge that implementation of this new requirement would add millions of additional information reporting documents to the IRS computer system.

The IRS acknowledges much work needs to be improved and implemented especially in the areas of risk assessment and mismatch of information.

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### [\(2\) Passport renewal may be prohibited if records show tax delinquency.](#)

The Government Accountability Office (“GAO”) noted that federal law prohibits the IRS from providing taxpayer information, including unpaid federal taxes, to the State Department, unless the taxpayer consents. Federal law, however, restricts issuance of passport to individuals with outstanding felony warrants or that owe child support debts over \$2,500.

The GAO recommend that Congress pursue policy in linking federal tax debt collection to passport issuance, allowing State Department access to taxpayer information and to screen and prevent individuals who owe federal taxes from received passport. GAO further recommends the State Department and the IRS to jointly study policy and practical issues, and develop options with appropriate criteria and privacy safeguards.

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### [\(3\) Foreign Account Tax Compliance Act \(“FATCA”\) and its implications to U.S. taxpayers.](#)

2010 Hiring Incentives to Restore Employment Act, or HIRE Act enacted FATCA. FATCA requires foreign financial institutions, or FFIs, to report to the IRS information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. A participating FFI will have to enter into an agreement with the IRS to identify U.S. accounts, report certain information to the IRS regarding U.S. accounts, and withhold a 30-percent tax on certain payments to non-participating FFIs and account holders who are unwilling to provide the required information.

IRS Notice 2011-53 issued in July 2011, provides a timeline for FFIs and U.S. withholding agents to implement various requirements of FATCA. For

purposes of the IRS Notice, high-risk accounts including private banking accounts with a balance that is equal to or exceed US\$500,000.



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**(4) Offshore Voluntary Disclosure Initiative due date is extended to September 9, 2011.**

The 2011 OVDI continues as full force with the due date extended to September 9, 2011. The Internal Revenue Service has extended the due date from August 31, 2011 to accommodate taxpayers affected by Hurricane Irene over the weekend.

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As initially announced in the OVDI initiative, all information must be submitted to the IRS on or before the extended due date. This includes name, address, date of birth, and Social Security number and as much information as possible as required. Additionally, the taxpayer must include a detail written statement indicating what information is missing or to be provided, reasons for the missing information and steps taken to secure the missing information in the submission. The IRS may grant a 90-day extension of the deadline to complete the submission.

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