



GMS Flash Alert



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United States - IRS Compliance Efforts Focusing on High-Income Individuals, FBAR Violations

The U.S. Internal Revenue Service (IRS), on September 8, 2023, announced a new compliance effort focused on high-income individuals, partnerships, and large corporations.¹ FBAR violations will also be an area of scrutiny for the IRS.

WHY THIS MATTERS

Globally-mobile employees earning \$1 million or more could come under heightened scrutiny by the IRS, and so extra care and caution need to be taken in respect of their tax affairs to help ensure proper compliance.

The Report of Foreign Bank and Financial Accounts (“FBAR”) continues to be under the microscope for the IRS. Globally-mobile employees entering the United States (who often maintain financial accounts in their home country) and U.S. persons on assignment outside the United States (who often open financial accounts in their host country) who may have a reporting requirement in respect of certain foreign (i.e., non-U.S.) financial accounts annually on the FBAR, an information filing that is separate from the U.S. tax return (i.e., non-U.S.) financial accounts annually on the FBAR, an information filing that is separate from the U.S. tax return, should make sure they understand their financial accounts situation and whether they need to report the accounts on an FBAR. Such employees are often unaware of the FBAR requirement – failing to timely / accurately report their foreign financial accounts could subject them to substantial penalties.

More Details

According to the IRS release – IR-2023-166 (September 8, 2023) – the new effort will be assisted by improved technology, including artificial intelligence. Key elements of the new effort include:

- Prioritization of **high-income cases**: In the high-wealth, high-balance-due taxpayer field initiative, the IRS will intensify work on taxpayers with total positive income above \$1 million that have more than \$250,000 in recognized tax debt.
- Expansion of a pilot focused on **largest partnerships** leveraging artificial intelligence (AI): The IRS is expanding the large partnership compliance (LPC) program to additional large partnerships with the help of AI.
- Greater focus on **partnership issues** through compliance letters: In early October, the IRS will start mailing around 500 partnerships showing discrepancies between end-of-year balances compared to beginning balances the following year, with no statements explaining the difference. Depending on the response, the IRS will add these to the audit stream for additional work.

Additional Areas of Focus

According to the release, other priority areas the IRS will be focused on include:

- Expanded work on digital assets;
- More scrutiny on FBAR violations;
- Labor brokers.

FOOTNOTE:

1 See [IR-2023-166](#). For a related story, see "[IRS announces new compliance effort focused on high-income individuals, partnerships, and large corporations](#)" in *TaxNewsFlash-United States*, a publication of KPMG LLP in the United States.

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