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## Treasury, IRS Issue Proposed Regulations for FATCA Implementation

IR-2012-15, Feb. 8, 2012

WASHINGTON — The Treasury Department and the Internal Revenue Service today issued proposed regulations for the next major phase of implementing the Foreign Account Tax Compliance Act (FATCA).

Enacted by Congress in 2010, the law targets non-compliance by U.S. taxpayers using foreign accounts.

The regulations lay out a step-by-step process for U.S. account identification, information reporting, and withholding requirements for foreign financial institutions (FFIs), other foreign entities, and U.S. withholding agents.

"FATCA strengthens U.S. efforts to combat offshore noncompliance. In doing so, we understand it creates a significant undertaking for financial institutions." said IRS Commissioner Doug Shulman. "Today's proposed regulations reflect our commitment to take into account the implementation challenges of affected financial institutions while allowing for a smooth and timely roll-out of the law."

The proposed regulations implement FATCA's obligations in stages to minimize burdens and costs consistent with achieving the statute's compliance objectives. The rules and implementation schedule are also adjusted to allow time for resolving local law limitations to which some FFIs may be subject.

FATCA was enacted in 2010 by Congress as part of the Hiring Incentives to Restore Employment (HIRE) Act. FATCA requires 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. In order to avoid being withheld upon under FATCA, 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,
- Verify its compliance with its obligations pursuant to the agreement, and

- Ensure that a 30-percent tax on certain payments of U.S. source income is withheld when paid to non-participating FFIs and account holders who are unwilling to provide the required information.

Registration will take place through an online system which will become available by Jan. 1, 2013. FFIs that do not register and enter into an agreement with the IRS will be subject to withholding on certain types of payments relating to U.S. investments.

Treasury and IRS will continue to work closely with businesses and foreign governments to implement FATCA effectively. Updates and further information on FATCA can be found by visiting the FATCA page on [www.irs.gov](http://www.irs.gov).

Written or electronic comments must be received by April 30, 2012. Requests to speak and outlines of topics to be discussed at the public hearing scheduled for May 15, 2012, at 10 a.m. must be received by May 1, 2012.

Send submissions to:

CC:PA:LPD:PR (REG-121647-10)  
Room 5205,  
Internal Revenue Service  
PO Box 7604  
Ben Franklin Station, Washington, D.C. 20044.

Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to: CC:PA:LPD:PR (REG-121647-10), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, D.C., or sent electronically via the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov) (IRS REG-121647-10)