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## IRS News

### Foreign Banks to Comply with IRS Law

A new law for foreign banks compels them to divulge information about the deposits by their US account holders. Its objective is to nab US tax evaders who stash their money in accounts with foreign banks especially in the light of the confession of Swiss bank UBS of assisting its American customers in dodging taxes. The bank had to pay hefty fines and release details of several thousands of its US account holders to the IRS last year.

The law provides for a withholding tax of 30% of their income from US customers if the foreign banks fail to comply. It is expected to be passed by the US Congress in the coming months and would go into effect December 31, 2012.

However, the IRS who is tasked with enforcing the law said that it would not expect foreign banks to give information on the identities of individual account holders. That would be too impractical in view of the millions of existing and future accounts. Hence the IRS would be taking a more general approach by looking at the banks' macro processes. This ought to come as a relief to foreign banks who have been asking for a softer stance in this matter by the US government, complaining of the difficulty of compliance.

The law encompasses all other financial institutions like hedge funds and private equity funds. In addition, a US tax official also mentioned that there would likely be greater leniency for existing accounts compared with new accounts.

### Municipal Bonds Regulated by IRS and SEC

The IRS is collaborating with the Securities and Exchange Commission (SEC) in enforcing greater regulations on the municipal bond market. The respective heads of the IRS and SEC signed a Memorandum of Understanding (MOU) on behalf of their agencies on this matter. The cooperation between the agencies is aimed at improving the compliance to the rules on municipal securities, especially tax-exempt bonds. Under the MOU, the agencies also agreed to share information on practices and risks in the municipal bond market.

State and local governments through their municipal councils often issue bonds to the general public in efforts to raise funds for essential works like road maintenance, schools and hospitals.

The market is worth an estimated \$2.8 trillion. Many retail investors participate in this market because municipal bonds are seen as safe investment risks that give reliable returns.

However, recent adverse developments have underscored the importance of stricter regulations over this market. Jefferson County, Ala., almost fell into bankruptcy when JPMorgan Chase & Co. canceled interest-rate swap contracts with the county worth around \$700 million, causing its debts to skyrocket to \$3.9 billion. If Jefferson had gone under, it would have been the nation's largest municipal bankruptcy in history.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.