



Americans For Tax Reform Foundation

Analysis of Administration Proposals to “Reform the U.S. International Tax System”
Combat Under-Reporting of Income Through Use of Accounts and Entities in Offshore
Jurisdictions

Current Law

Under current law, foreign financial institutions can elect to become ‘qualified intermediaries’ – which mean they have entered into a withholding agreement with the IRS. Qualified Intermediaries (QI) can be treated as a payee to the extent they assume withholding responsibility.

Proposed Change

Under this proposal no foreign financial institution would qualify as a QI unless it identifies all of its account holders who are U.S. persons, and would be required to report all payments received to the IRS.

ATR Analysis

This is an Orwellian, Big Brother proposal to force foreign financial institutions to divulge private information to the IRS. It will allow the IRS to interfere in almost every financial transaction overseas.

Furthermore, by allowing the IRS to publish the list of Qualified Intermediaries, it intends to create a “whitelist” of foreign financial institutions, and create a stigma on those banks which value the privacy of their clients.

If the Administration is worried about people investing money overseas, there is a much simpler solution: make investing in the United States more attractive by reducing rates and simplifying our draconian tax law.

10-year Revenue Estimate:

U.S. Department of Treasury: \$8.7 billion
Joint Committee on Taxation: \$8.8 billion

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202) 785-0266

F: (202) 785-0261

www.atr.org