FACT Sheet: Foreign Account Tax Compliance Act (FATCA)

Every year, your employer, bank, the Social Security Administration, and anyone holding or investing your savings, sends you and the Internal Revenue Service (IRS) information about your accounts. This is a long-standing U.S. practice that combines patriotism and accountability and has created a culture of tax compliance.

However, for U.S. citizens living abroad and wealthy individuals with accounts in foreign banks, there was little accountability. While most Americans with foreign bank accounts paid the taxes they owed, some did not. For those, FATCA was passed.

What FATCA Does

• FATCA requires foreign banks and other foreign financial institutions with accounts for U.S. clients to disclose to the IRS certain information about those accounts.

• FATCA applies to wealthier individuals. There are no additional individual reporting requirements on foreign bank accounts with less than $200,000 ($400,000 for couples) for those living abroad. For individuals living in the U.S., the thresholds is for offshore accounts with $50,000 ($100,000 for couples). For banks, the reporting threshold is $50,000 for individual accounts and $100,000 for couples.1

• FATCA does not impose any new tax on anyone, here or abroad. The taxes are already owed. FATCA disclosures are simply an accountability mechanism to make it harder to cheat.

• FATCA requires foreign banks and other foreign financial institutions with accounts for U.S. clients to disclose to the IRS certain information about those accounts.

• If institutions do not comply, the U.S. can withhold 30% of the foreign banks’ U.S. income.2

What FATCA Does NOT Do

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having offshore accounts and paid back taxes and penalties exceeding $10 billion.6

FATCA is simply about accountability. It requires foreign banks to provide information on U.S. accounts so that all taxpayers are held equally responsible for paying the taxes we owe.

**FATCA Is Not Unique in the World**

When the law was first passed, some protested that no other country required this type of disclosure. That is no longer true. As of April 2017, 100 jurisdictions have now committed to share bank account information to combat tax evasion on terms almost identical to FATCA.7 So even if FATCA were repealed, banks around the world would have to report account information to other countries. FATCA is quickly becoming the global norm for combating offshore tax evasion by wealthy individuals using foreign bank accounts.

**FATCA Is Not Blocking Citizens from Getting Banking Services**

While, several years ago, some foreign banks did close accounts held by Americans or stopped opening new accounts for Americans in order to avoid FATCA’s compliance requirements, there appears to be no country in which Americans are unable to find banking services. Today, thousands of foreign banks have made the changes needed to comply with FATCA and the OECD information exchange model, and are fully equipped to handle American clients. One hundred and thirteen jurisdictions have entered into FATCA agreements with the U.S.8, and 100 countries have committed to FATCA-style information exchanges, which means Americans are no longer of special concern.

**Citizens Are Not Leaving in Droves Because of FATCA**

According to the U.S. State Department, 9 million U.S. citizens live abroad.9 The number of people who denounce their citizenship each year is minimal, approximately .05% (less than one tenth of one percent) in 2015. There is little beyond anecdotal evidence to suggest that even that tiny percentage is uniformly leaving because of FATCA.

**FATCA Does Not Violate Privacy Laws**

Some countries have laws limiting financial institutions from sharing account information without the customer’s written consent. As a result, the United States has negotiated agreements with their governments to ensure that those banks can make FATCA disclosures without violating any law10, and some foreign banks are requesting that consent directly from their American clients – clients who should be reporting this information to the IRS already.

**Tax Evasion Is a Serious Crime and the Victims Are Honest Taxpayers.**

We are the ones that have to pay the bill, when other taxpayers shirk their civic responsibility. FATCA is not a complicated law. It simply ensures that all U.S. taxpayers operate under the same transparency requirements when it comes to their financial accounts, and that all are held equally accountable for paying the taxes they owe.

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9 “CA By the Numbers”. Bureau of Consular Affairs. June 2016 (accessible at https://travel.state.gov/content/dam/travel/CA_By_the_Numbers.pdf).