

SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Voluntary Disclosure Practice and Streamlined Filing Compliance Procedures
Forms 14457, 14653, 14654, and 15023
OMB Control Number 1545-2241

1. CIRCUMSTANCES NECESSITATING THE COLLECTION OF INFORMATION

The IRS has two very different compliance paths for two very different populations of taxpayers (taxpayers who have exposure to criminal liability for tax and tax-related crimes and taxpayers who have non-willful international compliance issues).

First, the Voluntary Disclosure Practice is a longstanding practice of IRS Criminal Investigation (CI). CI takes timely, accurate, and complete voluntary disclosures under consideration when determining whether to recommend criminal prosecution. A voluntary disclosure will not automatically guarantee immunity from prosecution; however, a voluntary disclosure may result in prosecution not being recommended. Form 14457 is used for all voluntary disclosures. This redesigned form is to be used by taxpayers to apply for the IRS-CI Voluntary Disclosure Practice (VDP). The form is submitted by the taxpayer in two parts. Part I is a preclearance request. Once a taxpayer receives preclearance from IRS-CI, they will submit Part II, the voluntary disclosure application. Versions prior to March 2019 were used by taxpayers to apply for the IRS Offshore Voluntary Disclosure Program (OVDP) that closed on September 28, 2018.

Second, the Streamlined Filing Compliance Procedures are available to eligible taxpayers who can truthfully certify that their failure to report foreign financial assets and pay all tax due in respect of those assets resulted from non-willful conduct. Forms 14653, 15023, and 14654 relate to the Streamlined Filing Compliance Procedures.

The use of information collected with respect to the Voluntary Disclosure Practice and the Streamlined Filing Compliance Procedures is a necessary for the Commissioner to use his enforcement discretion and authority to offer specific compliance paths with favorable penalty provisions under Internal Revenue Code (IRC) § 7803(a)(2)(A) granting him the authority to “administer, manage, conduct, direct, and supervise the execution and application of the internal revenue laws or related statutes and tax conventions to which the United States is a party.” Additionally, IRC § 6001 requires taxpayers to retain records relating to tax liabilities and tax returns and is thereby related to the information collected by the forms used in the Voluntary Disclosure Practice and the Streamlined Filing Compliance Procedures.

2. USE OF DATA

The IRS uses the data compiled on Forms 14653, 14654, and 15023 and associated records for administering the Streamlined Filing Compliance Procedures, and uses the data and associated records on Form 14457 in administering Criminal Investigation’s Voluntary Disclosure Practice.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The IRS is beginning to explore improved information technology to reduce the burden relating to Form 14457 and will continue to explore options for the remaining forms as well.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available or use or adaption from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

It is certified that the collection of information in these forms will not have a significant economic impact on a substantial number of small entities. This certification is based upon the fact that small employers that take advantage of the provisions of the Voluntary Disclosure Practice will likely see a modest reduction in the cost of complying with Title 26 and Title 31 reporting obligations compared to not using these compliance avenues. Additionally, the Streamlined Filing Compliance Procedures is only available to individuals. Hence, forms relating to the Streamlined Filing Compliance Procedures will have no foreseeable economic impact on small businesses or other small entities.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS

If the IRS did not collect the information sought on these forms, taxpayers would not have the means to easily come into compliance with their tax and/or Title 31 obligations. Additionally, these forms support compliance avenues that raise revenue needed to fund the Federal government.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with guidelines in 5 CFR 1320.5(d)(2).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS AND DATA ELEMENTS

In response to the Federal Register notice dated October 21, 2024 (89 FR 84252), two public comments were received.

Proposed Collection-Streamlined Filing Compliance Procedures
OMB# 1545-2241
Phoenix ITIN and Tax Services Comments dated October 23, 2024

Question no.	Phoenix ITIN and Tax Services Comment	Response to OMB
1	Currently, I get a lot of "undocumented" folks who want to come clean with the USCIS and file for a proper immigration	The Streamlined Domestic Offshore Program (SDOP) is not designed for non-filing situations as described in the comment. SDOP is a

	<p>status. As part of that, they want to have a clean filing status with the IRS and pay taxes due.</p> <p>Since such clients have been in the US for well over 6+ years, IRS policy 5-133 dictates a 6 year filing to be considered filing compliant with the IRS. Almost always, the clients have also have substantial income and assets from outside the US sources, which necessitates protection under the Streamlined Filing procedures.</p> <p>Since the clients have been in the US, the only option is the SDOP. However, SDOP requires only an "amended" return being filed to include missing foreign income, and other information reporting filings (such as 3520s, 8938s, etc). I cannot include original 1040 filings as part of SDOP which creates a big dilemma. Being a Circular 230 professional, I cannot recommend that such clients go to a preparer "down the street", file a return, and then immediately turn around and prepare an SDOP petition F14654 and Amended returns and Information returns as part of the SDOP package. This creates a chicken and egg problem - clients want to come clean and pay the 5% Misc. penalty, but not having an original return creates a problem for them because they cannot take advantage of the SDOP.</p> <p>My proposal is enhance the SDOP program to include "NonFilers" - folks who have NOT completed an original return for PRIOR 3 YEARS. (You may expand it for maybe folks who have NOT completed an original return for PRIOR 5 or 6 YEARS also). This will ensure that nonfilers get the Streamlined protection as well.</p>	<p>submission processing program that is intended to address situations involving taxpayers who have previously reported income while residing in the United States. Taxpayers who are concerned that their failure to report income, pay tax, and submit required information returns was due to willful conduct and who therefore seek assurances that they will not be subject to criminal liability and/or substantial monetary penalties should consider participating in the IRS's Criminal Investigation Voluntary Disclosure Practice and should consult with their tax professional or legal advisers. For more information on IRS's Streamlined programs and IRS-CI's Voluntary Disclosure Practice, see Streamlined filing compliance procedures Internal Revenue Service and IRS Criminal Investigation Voluntary Disclosure Practice Internal Revenue Service.</p>
2	<p>I would also recommend a Form that acts as a "cover letter" or a "check list". This would include items such as:</p> <p>a. Tax returns included as part of this SDOP package - (for example 2023 F1040, 2022 F1040, 2021 F1040)</p>	<p>The instructions for SDOP and other streamlined packages are designed to minimize taxpayer burden while also providing clear instructions on the information the IRS needs in order to process the application as efficiently as possible. Taxpayers who feel a checklist or other</p>

	<p>b. 6 years of FBARS - Receipt number for 2023, 2022, 2021, 2020, 2019, 2018</p> <p>c. Has a check for the penalty included or not?</p> <p>d. Have you included the following Forms with a check box?</p> <p>Year 1 - 3520/8938/8621/Sch B etc.</p> <p>Year 2 - 3520/8938/8621/Sch B etc.</p> <p>Year 3 - 3520/8938/8621/Sch B etc.</p>	<p>information would be helpful to the IRS may prepare and submit a customized cover letter together with a completed package prepared according to the IRS's instructions.</p>
3	<p>I would also like the IRS to send status update notices during important stages of the SDOP process.</p> <p>a) I would like to receive a Notice/Letter from the IRS stating that IRS has received the SDOP package for Mr. Taxpayer.</p> <p>b) I would like to receive a Final Notice/letter from the IRS stating that the IRS has processed the SDOP package, and Taxpayer is now fully compliant. Something along these lines to indicate that the SDOP process is complete. Right now, I have NO CLUE whether IRS has processed the SDOP, or whether IRS needs more info etc.</p> <p>There has to be some FINALITY under IRC 7803(a)(3)(F).</p>	<p>Tax returns submitted under either the streamlined foreign offshore procedures or the streamlined domestic offshore procedures will be processed like any other return submitted to the IRS. Consequently, receipt of the returns will not be acknowledged by the IRS and the streamlined filing process will not culminate in the signing of a closing agreement with the IRS.</p> <p>Taxpayers can access their accounts on IRS.gov to determine if there return as processed.</p> <p>Your account Internal Revenue Service</p>

Internal Revenue Service Advisory Council (IRSAC), dated November 19, 2024

Question no.	IRSAC Comment	Response to OMB
1	<p>Clarify and expand SDOP eligibility: Extend the benefits of the SDOP to individuals without unreported gross income and entities, allowing them to rectify multiple years of international tax non-compliance in a more streamlined and manageable manner. This inclusion would provide more taxpayers with a structured pathway to compliance, reducing the burden of filing numerous amended returns and encouraging voluntary disclosure.</p>	<p>The IRS is taking this suggestion under consideration.</p>

2	Revise the Section 965 Reporting Requirement: Modify the current requirement for taxpayers with Section 965 inclusions to file every year since 2017. Instead, require filings for 2017 and the most recent three years, making it more accessible and less burdensome for taxpayers.	The IRS is taking this suggestion under consideration.
3	Adjust the Title 26 Miscellaneous Offshore Penalty: Narrow the base of the Title 26 miscellaneous offshore penalty (e.g., by excluding assets that did not produce income) and/or cap the penalty so it does not exceed the penalties that would be assessed under the Delinquent International Information Return Submission	The IRS is taking this suggestion under consideration.
4	Procedures (DIIRSP). Alternatively, allow for reasonable cause waivers and/or penalty relief due to first time abate. This adjustment would make the penalty more equitable and less punitive, aligning it more closely with the actual non-compliance risk, taxpayer ability to pay, and the benefits enjoyed by those eligible for the SFOP.	The IRS is taking this suggestion under consideration.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 U.S.C. 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Voluntary Disclosure Program” and “Offshore Compliance Initiative” systems, and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.030 – Customer Account Data Engine Individual Master File, IRS 24.046 – Customer Account Data Engine Business Master File, IRS 22.061 – Information Return Master File, IRS 34.037 – Audit Trail and Security Records, IRS 42.001 – Examination Administrative Files, IRS 42.002 – Criminal Investigation Management Information System and Case Files, IRS 42.017 International Enforcement Program Information Files, IRS 42.021 – Compliance Programs and Project Files, and IRS 42.031 – Anti-Money Laundering/Bank Secrecy Act and Form 8300. The

Internal Revenue Service PIA's can be found at <http://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 U.S.C. 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The burden estimate for the reporting and recordkeeping are is as follows:

Form	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden Hours
14457	Voluntary Disclosure Practice	222	1	222	59.25	13,154
14653 14654	Streamlined Foreign & Domestic	14,300	1	14,300	22	314,600
15023	Offshore Compliance Status Response	569	1	569	2	1,138
Totals		15,091		15,091		328,892

13. ESTIMATED ANNUAL COST TO RESPONDENTS

From our Federal Register notice, dated October 21, 2024, no public comments on the estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information were received. There are no known costs outside of the estimated time burden for reporting and recordkeeping.

14. ESTIMATED ANNUALIZED FEDERAL COST TO FEDERAL GOVERNMENT

Cost estimate for product development is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized startup expenses, operating and maintenance expenses, and distribution of the product that collects the information. The costs to the Federal government will vary depending on whether the IRS will incur printing or copying costs for all the materials. These costs do not include any activities such as taxpayer assistance and enforcement. The IRS estimates have determined that the cost of developing, printing, distribution and overhead for these forms is \$69,024.

15. REASONS FOR CHANGE IN BURDEN

There are changes to the paperwork burden previously approved by OMB. The agency has updated the number of respondents/responses for Forms 14457, 14653, and 14654. Forms 14457 and 15023 has been revised, but the changes do not affect burden. The changes to the response estimates result in an overall decrease of 1,478 responses and 61,496 hours due to Agency Estimate.

	Total Requested	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	15,091	0	0	-1,478	0	16,569
Annual Time Burden (Hr)	328,892	0	0	-61,496	0	390,388

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis, and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

The IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the compliance path expires as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTION TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

Note: The following paragraph applies to all of the collection of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax return and tax return information are confidential, as required by 26 U.S.C. 6103.