

IRS Issues Supplement to Instructions for Form 8966, IDES User Guide

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Global Financial Services Industry



IRS Issues Supplement to Instructions for Form 8966, International Data Exchange Services (“IDES”) User Guide

On December 17, 2014, the IRS issued two updates via its FATCA News & Information subscription service.

The IRS posted to its FATCA page an **Update to the Instructions for Form 8966 for 2014**, correcting and clarifying certain reporting requirements for 2014. This update supplements the current Instructions for Form 8966 and should be relied upon until its incorporation into the 2015 instructions. Specifically, the update includes the following:

- **Corrects an error instructing Participating Foreign Financial Institutions (“PFFIs”) to report accounts held by Non-participating FFIs (“NPFFIs”) for 2014.** The current instructions incorrectly state that for 2014, PFFIs must report, in addition to U.S. accounts and accounts held by Owner-documented FFIs (“ODFFIs”), accounts held by NPFFIs. However, reporting of accounts held by NPFFIs only applies for calendar years 2015 and 2016.
- **Changes the date for determining whether U.S. accounts and accounts held by ODFFIs were outstanding, consistent with the most recent Regulations.** The instructions also state that PFFIs must report such accounts if they were outstanding on July 1, 2014. This update provides that an account must be outstanding on or after the effective date of the PFFI’s FFI agreement, in accordance with the updated FATCA Regulations.

- **Clarifies reporting requirements for PFFIs with respect to accounts that are closed or transferred in their entirety by account holders during the calendar year.** The instructions require a PFFI to report amounts paid or credited to such accounts for the calendar year until the date of closure or transfer as well as the amount or value withdrawn or transferred from the account in connection with such closure or transfer. The update provides that, for 2014, a PFFI is not required to report amounts paid or credited. Instead, only the amount or value withdrawn or transferred should be reported on Line 3 of Part IV and not on Lines 4a through 4d. Beginning in 2015, amounts paid or credited must be reported on Lines 4a through 4d of Part IV.

Additionally, the IRS released a draft version of the **International Data Exchange Services (“IDES”) User Guide**. IDES is the web application that Financial Institutions and Host Country Tax Authorities (“HCTAs”) can use to facilitate FATCA reporting. This guide provides FIs and HCTAs with procedures for data preparation and reporting. Users should expect to see several updates from the IRS until the final version is issued in early January 2015.

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