

**Note:** Use Part I of this form to make a preclearance request to determine whether you are eligible to use the Voluntary Disclosure Practice. Only submit Part I of this form for preclearance. If you receive preclearance, proceed with submitting Part II to request preliminary acceptance. Submitting the information requested in Part I of this form does not guarantee acceptance. **All answers and attachments must be in English.**

**Mailing Address:** Internal Revenue Service  
Attn.: Voluntary Disclosure Coordinator  
2970 Market Street  
1-D04-100  
Philadelphia, PA 19104

**Fax Number:** 844-253-5613

**Part I - Preclearance Request (Mail or FAX Part I Only to Above)**

	1. Person submitting disclosure ( <i>check box that applies</i> )		
	<input type="checkbox"/> Individual(s)	<input type="checkbox"/> Partnership	<input type="checkbox"/> Corporation
	<input type="checkbox"/> Trust	<input type="checkbox"/> Executor	

2. Disclosure special features (*check all that apply*)

<input type="checkbox"/> Domestic Issues	<input type="checkbox"/> Estate & Gift Issues	<input type="checkbox"/> Virtual Currency Issues
<input type="checkbox"/> Offshore Issues	<input type="checkbox"/> Employment Tax Issues	
<input type="checkbox"/> Other Issues ( <i>briefly describe</i> ) _____		

3. Tentative disclosure period (*years*) \_\_\_\_\_

4a. Taxpayer name	b. Identification number ( <i>SSN/ITIN/EIN</i> )	c. Date of birth
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d. Alias ( <i>if applicable, include all aliases used</i> )	e. Occupation
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f. Telephone number	g. Number, street, and room or suite number
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h. City or town	i. State or province	j. ZIP/Foreign postal code	k. Country
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l. Citizenship ( <i>include all if more than one</i> )	m. Passport information ( <i>list all passport numbers and countries</i> )
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5a. Spouse name ( <i>if joint disclosure</i> )	b. Identification number ( <i>SSN/ITIN</i> )	c. Date of birth
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d. Alias ( <i>if applicable, include all aliases used</i> )	e. Occupation
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f. Telephone number	g. Number, street, and room or suite number
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h. City or town	i. State or province	j. ZIP/Foreign postal code	k. Country
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l. Citizenship ( <i>include all if more than one</i> )	m. Passport information ( <i>list all passport numbers and countries</i> )
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6a Representative's name ( <i>attach Form 2848, if applicable</i> )	<input type="checkbox"/> Check if no representative	b. Telephone number
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c. FAX number	d. Number, street, and room or suite number
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e. City or town	f. State or province	g. ZIP/Foreign postal code	h. Country
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i. Check this box if you would like correspondence concerning this voluntary disclosure practice case from IRS-CI to be sent to the taxpayer(s) making the voluntary disclosure. If this box is not checked, only the primary representative will receive correspondence from IRS-CI

## 7. Schedule of entities

- List ALL entities (*corporations, partnerships, etc.*) in any way related to the noncompliance during the disclosure period.
- List ALL entities you owned or controlled or were the beneficial owner of, either directly or indirectly.
- The listings must cover the entire disclosure period as outlined in the instructions below.
- Click "Add Entity" button below for additional entities.

**Entity 1**Entity name (*including all DBAs and pseudonyms*)

<input type="checkbox"/> Dissolved entity	Is this entity making a Voluntary Disclosure			<input type="checkbox"/> Yes	<input type="checkbox"/> No
Identification number		Country of incorporation			
Ownership interest ( <i>List all individuals/entities and their respective percentage of ownership</i> )				Years in operation	
Telephone number		Number, street, and room or suite number			
City or town		State or province	ZIP/Foreign postal code	Country	
Name of Officer(s)			Title of Officer(s)		

8. Do you believe that the IRS has obtained information concerning your tax liability  Yes  No

If "Yes," specify

9. Disclose if you, your spouse or any related entities have received a notice of deficiency from the Internal Revenue Service ("IRS") for any year in the anticipated disclosure period. If so, submit a copy of the notice of deficiency along with your preclearance request

10. Disclose if you, your spouse or any related entities are currently litigating (or litigated in the past) any federal tax matters for any year in the anticipated disclosure period in the United States Tax Court, the United States Court of Federal Claims, or any United States District Court. Include the case caption, the case docket number, and the court in which the case is/was docketed

11. Disclose if you, your spouse or any related entities are currently under audit or criminal investigation by the IRS or any other law enforcement authority and if any income is sourced from an illegal activity

	Taxpayer		Spouse			Related Entities		
	Yes	No	Yes	No	N/A	Yes	No	N/A
a. Has the IRS notified you, your spouse or any related entities of an examination or criminal investigation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Are you, your spouse or any related entities under criminal investigation by the IRS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Are you, your spouse or any related entities under criminal investigation by any law enforcement authority	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Do you, your spouse or any related entities have income sourced from an illegal activity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If "Yes" to any, explain

## 12. Schedule of financial accounts

- List **ALL** domestic and foreign noncompliant financial accounts you owned or controlled or were the beneficial owner of, either directly or indirectly.
  - The listings must cover the entire disclosure period as outlined in the instructions below.
  - This includes opened and closed accounts which held unreported funds during the disclosure period.
  - This includes accounts held through entities you owned or controlled or were the beneficial owner of, either directly or indirectly. **Note:** The entities will be further identified in Part II of this application. Account holders must match the disclosing taxpayer(s) from lines 4 and 5, or an entity named on line 7.
- Click "Add Financial Account" button below for additional financial institutions.

### Financial Institution 1

Financial institution name (complete bank legal name, including all suffixes (e.g., Inc., A.G., S.A., etc.), DBAs and pseudonyms)

Telephone number	Number, street, and room or suite number		
City or town	State or province	ZIP/Foreign postal code	Country
Account Number	Date Opened	Date Closed	Account Holder(s)

## 13. Schedule of virtual currency

- List **ALL** domestic and foreign noncompliant virtual currency you owned or controlled or were the beneficial owner of, either directly or indirectly.
  - The listings must cover the entire disclosure period as outlined in the instructions below.
  - This includes assets acquired or disposed of during the disclosure period.
  - This includes assets held through entities you owned or controlled or were the beneficial owner of, either directly or indirectly. **Note:** The entities will be further identified in Part II of this application.
- Click "Add Virtual Currency" button below for additional assets.

### Virtual Currency 1

Name of virtual currency

Identifying number or other designation (see instructions)	Date asset acquired	Date asset disposed	Check appropriate box <input type="checkbox"/> Domestic <input type="checkbox"/> Offshore
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Account holders

**Important:**

- CI will provide a case control number that is required to submit Part II.
- Only submit Part II and attachments after preclearance is received.
- **Do not send returns and/or remit payments with this form. No returns or payments will be accepted by IRS-Criminal Investigation.**
- Complete all fields. If you cannot complete a field, attach a statement explaining why.
- After CI notifies you that preliminary acceptance has been granted, wait for contact from an IRS examiner who will request additional documents.

**Part II - Voluntary Disclosure (Mail to Address on Page 1 or Fax to 844-253-5613)**

1. Case control number (required from preclearance approval)		<input type="checkbox"/> Inability to pay in full (Note: The burden is on the taxpayer to establish inability to pay)
Taxpayer name	Identification number	Telephone number
Spouse name (if joint disclosure)	Identification number	Telephone number
Representative's name (attach Form 2848, if applicable)	<input type="checkbox"/> Check if no representative	Telephone number

2. Identify the source of funds (check all that apply and explain below)

- U.S. source     
  Foreign source     
  Gift/Inheritance     
  Virtual Currency     
  Other

3. During the disclosure period, have you taken a position that you were a bona fide resident of a U.S. territory (e.g., American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, or the U.S. Virgin Islands) or did you file an income tax return with a U.S. territory  Yes     No

If "Yes," list the territory and tax years. Also, specify whether you have made, are making, or will make a voluntary disclosure to the U.S. territory

4. Provide estimated total annual **unreported income** during the disclosure period (for fields 4 and 5, input all amounts in U.S. Dollars using year-end exchange rates AND provide the most recent 6 years unless the noncompliance was for a shorter period)

Tax year	Unreported income	Tax year	Unreported income	Tax year	Unreported income
Tax year	Unreported income	Tax year	Unreported income	Tax year	Unreported income

5. Provide estimated annual range of the highest aggregate value of your offshore holdings (**Offshore Issues Only**)

Tax year	Highest aggregate account/Asset value	Tax year	Highest aggregate account/Asset value
Tax year	Highest aggregate account/Asset value	Tax year	Highest aggregate account/Asset value
Tax year	Highest aggregate account/Asset value	Tax year	Highest aggregate account/Asset value

6. Offshore issues only (check appropriate boxes)

	Taxpayer		Spouse	
	Yes	No	Yes	No
a. Has anyone, including a foreign government or a foreign financial institution, advised you that your offshore account records, which are the subject of this voluntary disclosure, were susceptible to being turned over to the U.S. Government pursuant to an official request	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. If 6a is "Yes," did you or anyone on your behalf submit, or caused to be submitted, a pleading or other document to a court or other authority in a foreign country in opposition to an official request for evidence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. If 6b is "Yes," were copies of those documents provided to the Attorney General of the United States as required by 18 USC §3506	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. Narrative (For additional information on how to complete this section, refer to attached instructions)

a. Taxpayer personal and professional background

b. Professional Advisors. Identify all individuals who aided in your willful noncompliance. (See instructions for more guidance)

**Advisor 1**

Name

Title		Company/Firm name	
Telephone number	Number, street, and room or suite number		
City or town	State or province	ZIP/Foreign postal code	
Country	Website	E-mail	

Describe services provided and whether you fully disclosed your noncompliance. Explain the role, if any they had in your noncompliance

c. Non-compliance narrative (The Noncompliance narrative must include a thorough discussion of all Title 26 and Title 31 willful failures to report income, pay tax, and submit all required information returns and reports. Explain the roles the professional advisor(s) named above had in your noncompliance. The field below will automatically expand to accommodate your narrative. See instructions for more guidance)

By signing this document, I certify that I am willing to continue to cooperate with the IRS, including in assessing my income tax liabilities and making good faith arrangements to pay all taxes, interest, and penalties associated with this voluntary disclosure.

Under penalties of perjury, I declare that I have examined this document and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of taxpayer	Name ( <i>print/type</i> )	Date
Signature of taxpayer's spouse	Name ( <i>print/type</i> )	Date

**The power of attorney may not sign the voluntary disclosure letter on behalf of the taxpayers.**

**IRS reserves the right to make further contacts with the taxpayer to clarify his/her submission.**

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### Privacy Act and Paperwork Reduction Act Notice

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We ask for the information on this foreign account or asset statement to carry out the Internal Revenue laws of the United States. Our authority to ask for information is sections 6001, 6109, 7801, 7803 and the regulations thereunder. This information will be used to determine and collect the correct amount of tax under the terms of the offshore voluntary disclosure program. You are not required to apply for participation in the offshore voluntary disclosure program. However, if you choose to apply you are required to provide all the information requested on the voluntary disclosure letter.

You are not required to provide the information requested on a document that is subject to the Paperwork Reduction Act unless the document displays a valid OMB control number. Books or records relating to a document or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. Section 6103, however, allows or requires the IRS to disclose or give this information to others as described in the Internal Revenue Code. For example, we may disclose this information to the Department of Justice to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, and U.S. commonwealths or possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. Failure to provide this information may delay or prevent processing your application. Providing false information may subject you to penalties.

The time needed to complete and submit the Voluntary Disclosure Practice Preclearance Request and Application will vary depending on individual circumstances. The estimated average time is: 10 hours.

If you have comments concerning the accuracy of this time estimate or suggestions for making the foreign account or asset statement simpler, we would be happy to hear from you. Comments should be sent to the Internal Revenue Service, Attn: IRS Reports Clearance Officer, SE:W:CAR:MP:T:T:SP, Washington, DC 20224.

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## Instructions for Form 14457, Voluntary Disclosure Practice Preclearance Request and Application

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form 14457, and its instructions, as well as additional guidance related to the IRS Criminal Investigation's Voluntary Disclosure Practice, go to <https://www.irs.gov/vdp>.

### What's New

**Submissions by fax.** To reduce mailing and processing times, IRS-CI accepts and encourages voluntary disclosure practice submissions (both Part I and Part II of Form 14457) by fax to 844-253-5613. IRS-CI still accepts submissions by mail. Additionally, IRS-CI accepts photocopies, facsimiles, and scans of taxpayer signatures on Part II of Form 14457. For all submissions made by fax, the original documents must be retained for a period of six years following the submission. For all signatures that are facsimiles, copies, or scans, the original signed documents must be retained for a period of six years following the submission. The IRS may request original documents. Transmission of a voluntary disclosure practice submission by fax constitutes acceptance of the requirement to retain original signed documents and provide them upon request. The following example illustrates the retention requirement:

Taxpayer Gamma is represented by Attorney Theta. Criminal Investigation provided preclearance for Taxpayer Gamma to make a voluntary disclosure on 3/1/202X. On 4/1/202X, Taxpayer Gamma signs a completed Part II, Form 14457. Then, Taxpayer Gamma scans the signed Part II, Form 14457 and sends the signed form to Attorney Theta through Attorney Theta's secure document portal. Attorney Theta submits the completed, signed Part II, Form 14457 by fax to Criminal Investigation on 4/5/202X. Taxpayer Gamma must retain the original, signed Part II, Form 14457, and Attorney Theta must retain the form sent by fax for six years from 4/5/202X.

### IRS Criminal Investigation (IRS-CI) Voluntary Disclosure Practice

**What is the IRS-CI Voluntary Disclosure Practice?** It is a long-standing practice of IRS-CI that provides taxpayers with criminal exposure a means to come into tax compliance with the law and potentially avoid criminal prosecution. A voluntary disclosure will not automatically guarantee immunity from prosecution. A voluntary disclosure will be considered along with all other facts and circumstances in determining whether criminal prosecution will be recommended.

**Objective.** The IRS-CI Voluntary Disclosure Practice provides taxpayers whose conduct involved willful tax or tax-related noncompliance with a means to come into compliance with the tax law and avoid potential criminal prosecution.

**Procedural Updates.** Internal Revenue Manual (IRM) section 9.5.11.9 explains in broad terms the IRS-CI Voluntary Disclosure Practice offered by the IRS. The instructions that follow provide additional information and procedures.

### General Instructions

#### Purpose of Form

Form 14457 is used by taxpayers to apply to the IRS-CI Voluntary Disclosure Practice.

#### Who **Should** Make a Voluntary Disclosure

You should consider applying for the IRS-CI Voluntary Disclosure Practice if you engaged in willful noncompliance that exposes you to criminal liability for tax and tax-related crimes, you meet the eligibility requirements (discussed next), and you wish to come into tax compliance and avoid potential criminal prosecution. The IRS-CI Voluntary Disclosure Practice is available to individuals (U.S. Citizens, Green Card Holders, Non-Resident Aliens, Expatriates, etc.) and business entities (Corporations, Partnerships, LLCs, Trusts, Estates).

*A voluntary disclosure will not automatically guarantee immunity from prosecution. A voluntary disclosure will be considered along with all other facts and circumstances in determining whether criminal prosecution will be recommended for tax and tax related crimes covering the disclosure period.*

#### Who **Should Not** Make a Voluntary Disclosure

You should not use the IRS-CI Voluntary Disclosure Practice if the source of the unreported income is from any illegal source. You should not use the IRS-CI Voluntary Disclosure Practice if you did not commit any acts that rise to the level of tax or tax-related crimes. The purpose of the IRS-CI Voluntary Disclosure Practice is to provide protection from potential criminal tax and tax-related prosecution. You can correct less serious non-compliance by filing amended or past due tax returns. If your less serious noncompliance involves unreported offshore income or delinquent international information returns, see "Other Compliance Options" later in this section.

### Eligibility

**Voluntary Disclosure Requirements.** A voluntary disclosure requires you to be truthful, timely, and complete in your disclosure. It also requires you to:

1. Cooperate with the IRS in determining your tax liability and compliance reporting requirements,
2. Cooperate with the IRS in investigating any enablers who aided in the noncompliance or were in any way involved in the noncompliance,
3. Submit all required returns, information returns, and reports for the disclosure period, and
4. Make good faith arrangements with the IRS to pay in full, the tax, interest and any penalties determined by the IRS to be applicable.

**Timeliness is Critical.** In order to make a voluntary disclosure, you must come forward before the IRS has information about your noncompliance. You are not timely and cannot make a voluntary disclosure if:

- The IRS has commenced a civil examination or criminal investigation,

- The IRS has received information from a third party (e.g., informant, other governmental agency, John Doe summons, etc.) alerting the IRS to your noncompliance, or
- The IRS has acquired information directly related to your specific noncompliance from a criminal enforcement action (e.g., search warrant, grand jury subpoena, etc.).

**Illegal Source Income.** The IRS-CI Voluntary Disclosure Practice is not available to taxpayers with illegal source income. Income from activities determined to be legal under state law but illegal under federal laws is considered illegal source income for purposes of the IRS-CI Voluntary Disclosure Practice.

**Overlap with the Offshore Voluntary Disclosure Program (“OVDP”).** If you participated in an OVDP, you are not eligible to use the IRS-CI Voluntary Disclosure Practice where the OVDP disclosure period includes one or more overlapping tax years with the IRS-CI Voluntary Disclosure Practice disclosure period.

### When and Where to File

**When.** Form 14457 should be filed when you have determined you have willful conduct that you believe may rise to the level of tax and tax-related crimes and wish to come into compliance to try and avoid potential criminal tax prosecution.

**Where.** The Form 14457 is submitted in two parts: Part I, Preclearance Request, and Part II, Voluntary Disclosure, should be separately and sequentially submitted to IRS-CI. Both parts may be submitted by fax or mail. We encourage the submission of documents by fax. Refer to the Specific Instructions for more details on the two parts of Form 14457, as well as specific line instructions for completing the form.

Fax: 844-253-5613

Mail: IRS Criminal Investigation  
Attn: Voluntary Disclosure Coordinator  
2970 Market St.1-D04-100  
Philadelphia, PA 19104

Taxpayers or representatives with questions regarding the status of preclearance requests or preliminary acceptance may contact IRS-CI via e-mail at [vdp@ci.irs.gov](mailto:vdp@ci.irs.gov).

*Do not send payments or returns to IRS-CI with your voluntary disclosure application, Parts I and II. All payments and tax returns should be provided to the examiner upon contact initiating the examination. See “Definitions and Special Rules” for guidance on making payments after your application has been preliminarily accepted (Part II) into the IRS-CI Voluntary Disclosure Practice but before your case is assigned to an examiner.*

### What to Expect if your Voluntary Disclosure Application is Accepted

If preliminary acceptance is granted after a review of Part II of Form 14457, IRS-CI will forward your case to civil examination. An examiner assigned to your case will contact you with an initial contact letter (Letter 2205, Initial Contact) that will likely be followed with a telephone call. During the initial telephone conversation, the following will be discussed:

- Publication 1, Taxpayer’s Bill of Rights,
- Examination process,
- Availability of required documentation and timeline for providing it,
- Initial appointment and taxpayer interview, if deemed necessary by the examiner, and
- Questions and concerns

Documentation requested may include, but is not limited to:

- Delinquent/amended tax returns and information returns
- Statute extensions for all applicable income tax and FBAR years
- Accounting books and records
- Bank statements and related account opening documents
- Advice provided by professionals
- Any materials related to a promoter, enabler, or other facilitator of tax noncompliance
- Payment for tax, interest, and penalties

A civil examiner may require that you submit to an interview under oath to explain the facts provided in your voluntary disclosure, answer questions about return positions, provide information about promoters, and answer any other questions the civil examiner determines are relevant.

Your voluntary disclosure is not complete until you have come into compliance and made good faith arrangements with the IRS to pay in full the tax, interest and any penalties. A civil revenue officer may require that you submit to an interview under oath to determine the viability of any proposed payment arrangements, verify the accuracy of statements made regarding assets and income, and answer any other questions the civil revenue officer determines are relevant.

Taxpayers must comply with U.S. law for all tax periods after the disclosure period and file returns according to standard filing procedures. Failure to remain in compliance for all tax periods after the disclosure period may result in the revocation of preliminary acceptance and possible criminal prosecution.

### Civil Penalties – In General



**Income Tax Penalties.** A civil fraud penalty or a fraudulent failure to file penalty, sections 6663 or 6651(f), respectfully, will apply to at least one year of all voluntary disclosures. The application of a single fraud penalty assumes that all terms of the IRS-CI Voluntary Disclosure Practice are complied with, including but not limited to, full cooperation. The single fraud penalty is in lieu of accuracy-related penalties (section 6662) and delinquency penalties (sections 6651(a)(1) and (2)), but it does not apply to the penalty for failure to make estimated tax payments under section 6654 because that is computational and a proxy for interest.

The following examples related to income tax penalties:

- Taxpayer submits six years of amended returns: one fraud penalty on the year with the highest tax liability and no accuracy-related penalties for the other five years.
- Taxpayer submits six years of delinquent returns: one fraudulent failure to file penalty on the year with the highest tax liability with no delinquency penalties on the other five years.
- Taxpayer submits three years of delinquent returns and three years of amended returns: a single penalty for either fraud or fraudulent failure to file on the year with the highest tax liability with no accuracy-related or delinquency penalties on the other five years.

**Taxable Entity and Individual Fraud.** When a voluntary disclosure involves fraud by a taxable entity (most commonly a subchapter C corporation) and by an individual related to the entity, a civil fraud penalty or a fraudulent failure to file penalty, sections 6663 or 6651(f), respectively, will apply to at least one year of the voluntary disclosure at both the corporate and individual levels. This penalty structure applies whether the entity submits a separate Form 14457 or not. The following example illustrates this:

- Individual taxpayer was the sole shareholder of a subchapter C corporation, and the corporation fraudulently understated income by paying personal expenses of the individual taxpayer and deducting them as business expenses. Individual taxpayer submits six years of amended returns, Forms 1040X, and the corporation submits six years of amended returns, Forms 1120X. One fraud penalty will apply to the year with the highest tax liability at the individual level and at the corporate level and no accuracy-related penalties will apply for the other five years.

**Estate Tax Penalties.** A civil fraud penalty or a fraudulent failure to file penalty, sections 6663 or 6651(f), respectfully, will apply to the deficiency in estate tax for all voluntary disclosures involving estate tax issues. But the civil fraud penalty or a fraudulent failure to file penalty will apply at the reduced rate of 50% rather than the statutory rate of 75%. The following examples relate to estate tax penalties:

Omitted Asset. Executor of Estate Alpha filed a Form 706 for year 20XX. Executor intentionally omitted \$2,000,000 of assets that should have been reported on the Form 706. Executor submits an amended Form 706, and a fraud penalty applied at the rate of 50% rather than 75% will apply to the deficiency in estate tax resulting from the omitted assets.

Non-File. Executor of Estate Alpha intentionally failed to file a required Form 706 for year 20XX. Executor files a Form 706, and a fraud penalty applied at the rate of 50% rather than 75% will apply to the deficiency in estate tax resulting from the fraudulent failure to file the return.

Valuation. Executor of Estate Alpha filed a Form 706 for year 20XX. Executor intentionally reported a fraudulent value on the return. Executor submits an amended Form 706, and a fraud penalty applied at the rate of 50% rather than 75% will apply to the deficiency in estate tax resulting from the fraudulent value.

Gifts/Deductions/Exclusion/Credits/Tax. Executor of Estate Alpha filed a Form 706 for year 201X. Executor intentionally reported fraudulent lifetime gifts, deductions, exclusion, credit and/or total transfer tax on the return. Executor submits an amended Form 706, and a fraud penalty applied at the rate of 50% rather than 75% will apply to the deficiency in estate tax resulting from the fraudulent reporting on the return.

**Gift Tax and Generation-Skipping Transfer Tax Penalties:** A civil fraud penalty or a fraudulent failure to file penalty, sections 6663 or 6651(f), respectfully, will apply to the deficiency in gift tax and generation-skipping transfer tax for all voluntary disclosures involving gift tax and generation-skipping transfer tax issues. If the fraudulent activity or reporting involves multiple years, the 6-year disclosure period does not apply. The taxpayer submits original and/or amended returns for all years, and a fraud penalty is assessed on the year with the highest tax liability and no accuracy-related penalties for the other years. For fraudulent activity involving a single year, a fraud penalty at the rate of 50% rather than 75% will apply to the deficiency in gift or generation-skipping transfer tax resulting from the fraudulent activity. The examples that relate to estate tax penalties apply to a donor with respect to gifts, and with respect to generation-skipping transfer tax distributions and terminations. The following additional example relates to gift tax penalties involving multiple years:

- Donor makes gifts for 9 years from 20XX to 20XX and intentionally failed to file Forms 709 for all years. Donor files Forms 709 for all 9 years, and a fraud penalty applied at the rate of 75% is assessed on the year with the highest tax liability and no accuracy-related penalties for the other years.

**Employment Tax Penalties:** A civil fraud penalty or a fraudulent failure to file penalty, sections 6663 or 6651(f), respectfully, will apply to the tax quarter of the voluntary disclosure period with the highest employment tax liability. The application of a single fraud or fraudulent failure to file penalty assumes that all terms of the Voluntary Disclosure Practice are complied with. The single fraud penalty is in lieu of accuracy-related penalties (section 6662) and delinquency penalties (sections 6651(a)(1) and (2)). The failure to deposit penalty under section 6656 will apply when it is normally applicable. The calculation of the employment tax liability will be made without regard to section 3509(a) or (b) rates. The applicable supplemental income tax withholding rate will be applied in cases where the employer failed to deduct and withhold income tax from employees' wages. Relief under Section 530 of the Revenue Act of 1978 is unavailable. Suspension of interest provisions of section 6205 will not apply. Acceptance into the Voluntary Disclosure Practice and execution of a closing agreement does not obviate the taxpayer's obligations, if any, pursuant to section 6051 to file Forms W-2, Wage and Tax Statement, or Forms W-2c, Corrected Wage and Tax Statement, with the Social Security Administration reporting adjustments contained in the closing agreement; however, no amount will be reported in Box 1 of Forms W-2c.

The following examples relate to how the amount of employment tax will be calculated and the application of employment tax penalties:

- Taxpayer failed to treat one or more workers as employees and failed to withhold and remit federal employment tax: one fraud penalty on the tax quarter with the highest tax liability and no accuracy-related penalties for all other quarters; failure to deposit penalty applied for all periods; tax liability calculated without regard to section 3509 with the income tax liability calculated using the supplemental income tax withholding rate applicable for the periods at issue.
- Taxpayer failed to include in employees' wages all remuneration for employment: one fraud penalty on the tax quarter with the highest tax liability and no accuracy-related penalties for all other quarters; failure to deposit penalty applied for all periods.
- Taxpayer failed to obtain taxpayer identification numbers from payees before making a reportable payment or failed to withhold income tax when required: one fraud penalty or fraudulent failure to file (in the case of non-filed Forms 945) on the tax year with the highest tax liability and no accuracy-related penalties for all other years; failure to deposit penalty applied for all periods.
- Taxpayer submits delinquent returns: one fraudulent failure to file penalty on the tax quarter with the highest tax liability with no delinquency penalties on the other periods; failure to deposit penalty applied for all periods.
- Taxpayer submits three years of delinquent returns and three years of amended returns (24 tax quarters in total): a single penalty for either fraud or fraudulent failure to file on the tax quarter with the highest tax liability and no accuracy-related or delinquency penalties on the other periods; failure to deposit penalty applied for all periods.

**Information Return Penalties.** Penalties for the failure to file information returns will not be automatically imposed. Examiner discretion will consider the application of other penalties and whether the examination is resolved by agreement.

**Other Title 26 Penalties.** Penalties relating to excise taxes, estate and gift tax, etc. will not be automatically asserted and will be handled based upon the facts and circumstances of the case.

**FBAR Penalties.** Willful FBAR penalties will apply to all cases involving FBAR noncompliance where facts and law support the assertion of a willful FBAR penalty. Willful FBAR penalties will be computed in accordance with existing IRS penalty guidelines under IRM 4.26.16 and 4.26.17.

### Other Compliance Options

If you did not commit any tax or tax-related crimes and wish to correct mistakes or file delinquent returns, it is recommended that you consider the alternatives below:

1. If you made a mistake on your income tax return, you can file an amended return. For more information go to <https://www.irs.gov/faqs/irs-procedures/amended-returns-form-1040x/amended-returns-form-1040x>
2. If you failed to file one or more income tax returns, file the delinquent returns as soon as possible. For more information go to <https://www.irs.gov/businesses/small-businesses-self-employed/filing-past-due-tax-returns>
3. If you non-willfully failed to report foreign financial assets and pay all tax due in respect of those assets, you may be able to use the Streamlined Filing Compliance Procedures. For more information go to <https://www.irs.gov/streamlined>
4. If you reported all income and paid all tax but failed to file FBARs, consider the delinquent FBAR submission procedures, go to <https://www.irs.gov/individuals/international-taxpayers/delinquent-fbar-submission-procedures>
5. If you reported all income and paid all tax but failed to file international information returns, consider the delinquent international information return procedures, go to <https://www.irs.gov/individuals/international-taxpayers/delinquent-international-information-return-submission-procedures>

*The Streamlined Filing Compliance Procedures may be discontinued at any time.*

### Definitions and Special Rules

**Cooperation.** All voluntary disclosures handled by Examination will follow standard Examination procedures. Under the IRS-CI Voluntary Disclosure Practice, taxpayers are required to promptly and fully cooperate during civil examinations. Full cooperation will assist the civil examiner in efficiently conducting the examination.

Cooperation includes but is not limited to:

- promptly and fully responding to all information document requests
- submitting to interviews and providing access to related party witnesses
- providing statute extensions or waivers as necessary for tax and tax-related issues
- providing delinquent or amended returns, information returns, supporting documents, workpapers, etc.
- providing unrestricted instructions to foreign banks to provide full and complete records (for offshore cases)
- resolving all compliance matters covered by the disclosure by agreement
- full payment of all determined taxes, additions to tax, interest and penalties, or entering into a payment arrangement acceptable to the IRS

**Decedents.** In general, criminal liability ends at the death of an individual. The Service does not encourage using the IRS-CI Voluntary Disclosure Practice on behalf of decedents, even when decedents engaged in willful tax noncompliance. However, the IRS recognizes that at times extraordinary circumstances may merit the use of the IRS-CI Voluntary Disclosure Practice on behalf of a decedent, especially when others related to the decedent are using the IRS-CI Voluntary Disclosure Practice for their conduct.

When submitting a voluntary disclosure on behalf of a decedent, provide a Form 56, Notice Concerning Fiduciary Relationship, with appropriate supporting documents to establish the authority of the fiduciary (e.g. letters testamentary, order of a court providing authority to act, etc.). See Instructions for Form 56. The executor/personal representative will be required to provide a detailed narrative of facts outlining the noncompliance of the decedent.

*Refer to the specific line item instructions for guidance in preparing the Form 14457 for decedents and estates.*

**Disclosure Period (Scope).** In general, voluntary disclosures will include a six-year disclosure period requiring civil examinations of the most recent six tax years for which the due date has already passed. For returns filed on extension, but before the extension due date, the filing date will be treated as the due date. The disclosure period measurement date is based on the received date of Form 14457, Part II, Voluntary Disclosure. Applicants must consider the timing of their preclearance, allowing for sufficient response time when determining the disclosure period (minimum 60 days).

There are three exceptions to this six-year disclosure period:

1. If the taxpayer does not cooperate during the civil examination, the examiner has discretion to include the full duration of the noncompliance and may assert maximum penalties under the law with the approval of management. See Revocation below.
2. In cases where noncompliance involves fewer than the most recent six tax years, the voluntary disclosure must correct noncompliance for all tax periods involved. For a tax period to be considered fully compliant, tax and information return reporting (including FBAR) must be fully compliant.
3. With the IRS' review and consent, cooperative taxpayers may be allowed to expand the disclosure period. Taxpayers may wish to include additional tax years in the disclosure period for various reasons (e.g., correcting tax issues with other governments that require additional tax periods, correcting tax issues before a sale or acquisition of an entity, correcting tax issues relating to unreported taxable gifts in prior tax periods, etc.).

The following examples relate to disclosure periods:

- Example #1a – Taxpayer A makes a voluntary disclosure relating to willful noncompliance spanning the last 20 years. Taxpayer A fully cooperates and provides amended returns correcting all matters for the most recent six years. If Taxpayer A submits Form 14457, Part II in January 2018, the disclosure period will include tax years 2011-2016. If Taxpayer A submits Form 14457, Part II in December 2018, the disclosure period will include tax years 2012-2017.
- Example #1b – Assume Taxpayer A, in example 1a above, filed for an extension to file her 2017 tax return until October 15, 2018. If the taxpayer submits Form 14457, Part II in June 2018 before filing her 2017 return, the disclosure period will include tax years 2011-2016. If the taxpayer filed her 2017 return in May 2018 before making her disclosure in June 2018, the disclosure period will include tax years 2012-2017.
- Example #2 – Taxpayer A makes a voluntary disclosure relating to willful noncompliance spanning the last 20 years. Taxpayer A does not cooperate during the civil examination. The IRS is not limited to a six-year disclosure period and may examine all of the years with noncompliance. With management approval, the examiner will potentially assert maximum penalties for all tax years.
- Example #3 – Taxpayer B submits Form 14457, Part II in January 2018 relating to willful noncompliance that occurred only during the most recent 4 tax years. Taxpayer B fully cooperates. Thus, her disclosure period includes tax years 2013-2016, the 4 years where there was noncompliance.
- Example #4 – Taxpayer B submits Form 14457, Part II in January 2018 relating to willful noncompliance in tax years 2008 through 2015. Taxpayer B fully cooperates and clearly establishes that she is in compliance with all tax and information requirements (including FBAR) for the most recent tax year that was filed (2016). Taxpayer B's disclosure period will be limited to 2011-2015, the first five years of the disclosure period.

**Note:** *FBARs must be electronically filed as required by FinCEN. The taxpayer must file FBARs electronically and provide a copy of the electronically filed FBARs to the assigned examiner.*

**Income tax and Information Return Filings.** Taxpayers must submit all required returns, reports, and schedules for the disclosure period to the assigned examiner once the civil examination commences. If a taxpayer files delinquent income tax or information returns directly with the IRS processing campuses, the civil examination may be materially delayed, and certain penalties may be automatically assessed.

For information returns relating to foreign entities, the IRS will require all information returns for the disclosure period to be filed. If a foreign entity was legally dissolved during the disclosure period, the taxpayer must provide clear and convincing evidence of this dissolution in order to avoid the requirement to file information returns for the years following the year of dissolution. Merely asserting that a foreign entity was abandoned will not eliminate the requirement to file information returns.

*Taxpayers will be expected to comply with U.S. law for all tax years after the disclosure period and file returns according to standard filing procedures.*

**Joint Returns and Disclosures.** Criminal liability depends on individual conduct and intent. When spouses file joint income tax returns but one spouse commits a tax or tax-related crime, the willful spouse or both spouses may use the IRS-CI Voluntary Disclosure Practice. A spouse whose conduct was not willful is not required to make a voluntary disclosure, but making a joint voluntary disclosure will ease the administrative burden of the subsequent civil examination. Under these circumstances, explain in the narrative statement of facts: all facts relating to both spouses and make clear which spouse was willful.

If both spouses engaged in willful conduct, both spouses should make submissions to the IRS-CI Voluntary Disclosure Practice. They may submit a joint Form 14457 or two individual Forms 14457. If spouses make a joint submission, they must include all required information for each spouse, and the narrative statement of facts should clearly indicate the intention to disclose jointly. If spouses make separate submissions, each spouse must complete and submit all required information and documents separately.

The IRS-CI Voluntary Disclosure Practice follows regular Examination procedures, including:

- If joint returns were filed during the disclosure scope, notices will be provided to both parties. See IRM 4.10.1.2.2.1, Separate Notice Requirements.
- Agreements will require the signature of both spouses, unless the deficiencies are paid in full. See IRM 4.10.8.4.5, Waiver of Assessment for Joint Returns.

- When only one spouse enters an agreement and full payment is not received, there will be administrative delays and extra compliance burdens. See IRM 4.10.8.11.3, Separate Assessments on Joint Taxpayers.

If a spouse who had filed a “Married Filing Joint” tax return for a year included in the disclosure period chooses not to enter IRS-CI Voluntary Disclosure Practice because she believes she has no criminal exposure, the IRS will consider the facts and circumstances of each case to determine if the non-applying spouse may be liable for any taxes or penalties. The IRS may examine the spouse that does not make a voluntary disclosure.

**Noncompliance.** Includes all tax and tax-related failures to report income, pay tax, and submit all required information returns and reports (including FBARs).

**Payment of tax, interest, and penalties.** The terms of the IRS-CI Voluntary Disclosure Practice have historically required arrangements to pay in full all tax, interest, and penalties. A taxpayer who is unable to make full payment may request that the IRS consider other payment arrangements. If a taxpayer anticipates that she cannot pay the total amount of tax, interest, and penalties required, she must disclose this and submit a proposed payment arrangement and a completed Collection Information Statement (Form 433-A, Collection Information Statement for Wage Earners and Self-employed Individuals, or Form 433-B, Collection Information Statement for Business, as appropriate) with the Form 14457, Part II submission when requesting preliminary acceptance to the IRS-CI Voluntary Disclosure Practice.

If CI accepts the voluntary disclosure, IRS Collection will contact the taxpayer for more information once the case is assigned to a civil examiner. The burden is on the taxpayer to establish inability to pay, to the satisfaction of the IRS, based on full disclosure of all assets and income, domestic and foreign, under the taxpayer’s control. If the IRS determines that the inability to fully pay is genuine, the taxpayer must work out other financial arrangements, acceptable to the IRS, to resolve all outstanding liabilities. Additionally, any closing agreement resolving cases with less than full payment will require the waiver of collection due process rights, see I.R.C. §§ 6320 and 6330, for all tax periods addressed in the closing agreement.

**Payments Before Case is Assigned.** If an applicant has received a Preliminary Acceptance approval letter from IRS-CI, after submitting Part II of the Form 14457, and would like to make a payment before their voluntary disclosure case is assigned to an examiner, payments can be sent to the LB&I Austin unit at the following address:

Internal Revenue Service  
3651 S. I H 35  
Mail Stop 1919 AUSC  
Austin, TX 78741  
ATTN: Voluntary Disclosure Practice

To ensure payments are properly posted to the taxpayers account, all correspondence and payments must reference the “Voluntary Disclosure Practice.” Include separate checks for each year clearly identifying taxpayer name and taxpayer identification number, the year to which the payment relates and “Voluntary Disclosure Practice.” **Only send payments to this address. Do not send income tax returns or other material to this address.**

*These payments are advance payments; consequently, credit or refund of the payments is subject to the limitations of Section 6511.*

**Power of Attorney.** The representative of a taxpayer submitting a voluntary disclosure must ensure that Form 2848 authorizes representation of the taxpayer for all matters associated with the voluntary disclosure. These may include income, employment or excise taxes, specific penalties for returns other than taxes such as international information returns, or FinCEN Form 114, Report of Foreign Bank and Financial Account (FBAR). All years covered by the disclosure period must be listed on the Form 2848. Please also provide Forms 2848 for each entity identified.

Only communicating with the representative initiating the voluntary disclosure and not copying taxpayers on voluntary disclosure matters has been standard operating procedure for IRS-CI. But a representative may request for correspondence pertaining to voluntary disclosure practice matters also to be sent to the taxpayer(s) making the voluntary disclosure by affirmatively indicating on Form 14457, Part 1, Line 6i. Any correspondence from IRS-CI copied to the taxpayer(s) will be sent USPS first class mail. Unless an affirmative request is made at the time of preclearance, IRS-CI will not copy the taxpayer(s) on correspondence with a representative.

**Revocation.** In the event a taxpayer fails to fully cooperate with the civil examination, the examiner may request CI revoke a taxpayer’s preliminary acceptance. Additionally, examiners may expand the scope of the examination to all tax years involving willful tax noncompliance and assert all applicable civil penalties to the maximum extent under the law with management approval.

**Timely/Timeliness.** A disclosure is considered **timely** if it is received **before**:

- The IRS has commenced a civil examination or criminal investigation
- The IRS has received information from a third party (e.g., informant, whistleblower, other governmental agency, John Doe summons, etc.) alerting the IRS to the specific taxpayer’s noncompliance
- The IRS has acquired information directly related to the specific noncompliance of the taxpayer from a criminal enforcement action (e.g., search warrant, grand jury subpoena, etc.)

See Instructions for Form 14457, Part I, Line 9 concerning for timeliness determinations relating to notices of deficiency issued by automated substitute for return processes.

**Voluntary Disclosure Hotline.** If a taxpayer has an urgent question regarding a procedural matter on a voluntary disclosure and it cannot wait until an assigned examiner makes contact, she may contact the Voluntary Disclosure Hotline at (267) 466-0020.

Taxpayers or representatives with questions regarding the status of preclearance requests or preliminary acceptance may contact IRS-CI via e-mail at [vdpc@ci.irs.gov](mailto:vdpc@ci.irs.gov).



**Note:** *Hotline personnel will only answer procedural questions and will not provide tax or legal advice or provide opinions on hypotheticals.*

## Specific Instructions

The Form 14457 is submitted in two parts. Submit Part I of this form to request preclearance. After receiving written confirmation of preclearance, proceed with submitting Part II to request preliminary acceptance.

**Note:** *All answers and attachments for Form 14457 MUST be in English.*

**Part I – Preclearance Request.** You must complete Form 14457, Part I, to request preclearance. Preclearance involves supplying key information for IRS-CI to determine that you are eligible for making a voluntary disclosure, including establishing unreported income is from legal sources and that the timeliness requirements are met. IRS-CI will provide you with written notification whether your preclearance request was approved or denied. Preclearance can take a minimum of 30 days but may take 60 days or longer.

**Note:** *Submitting a preclearance request will not prohibit you from subsequently seeking other compliance options. Refer to Other Compliance Options in the General Information section. The IRS may seek information concerning compliance for a taxpayer that makes a preclearance request and then uses another compliance option. Once a taxpayer makes a voluntary disclosure to IRS-CI by submitting Part II of Form 14457, there is no option to retrieve the request from IRS-CI; once submitted, IRS-CI will either decline or preliminary accept the voluntary disclosure.*

*Submitting the information requested in Part I of Form 14457 does not guarantee acceptance. Information provided to the IRS may be utilized in civil and criminal investigations.*

**Decedents.** A disclosure submitted on behalf of a decedent and the estate should be prepared similar to other disclosures with a few modifications. The submission must include a Form 56, *Notice Concerning Fiduciary Relationship*, and related documentation. Refer to the “Definitions and Special Rules” section for details regarding decedent disclosures and Form 56 requirements. Also, refer to the specific line instructions for Form 14457, Part I, Lines 4a through 5m, and, Line 11.

**Joint Returns.** Refer to the “Definitions and Special Rules” section for details regarding joint returns.

*The form fields are designed to expand to allow unlimited information. The fields will expand and retract after you move the focus off the field.*

*There are hide/show form buttons for both Parts I and II. It is recommended that you save the same form for completing both parts and use the hide/show buttons to print the applicable form part based on where you are at in the process.*

### Part I—Preclearance Request

**Line 1.** Check the box that identifies the person submitting the disclosure. When fraud involves both a corporate officer and the corporation, if the corporation wishes to make a voluntary disclosure, a separate Form 14457 must be submitted for the corporation.

If an executor is making a disclosure, the executor should complete the Line 4 “taxpayer” field with the executor’s information, then complete Line 5 “spouse” field with information about the decedent and write “(decedent)” after the taxpayers name.

**Line 2.** Income tax noncompliance is the default for all voluntary disclosures and is presumed. Check all boxes that identify a special issue in your disclosure (Domestic, Offshore, Estate & Gift, Employment Tax, Virtual Currency, or Other). If the “Other Issues” box is checked, provide a brief description in the blank space at the bottom of Line 2.

*Do not send returns or remit payments with Form 14457 or at any time during the preclearance application process. **IRS-Criminal Investigation will not accept returns or payments; wait for contact from an IRS examiner.** Also, you may refer to *Payments Before Case is Assigned* in the *Definitions and Special Rules* section for preliminarily accepted disclosures.*

**Line 3.** Tentative years for which you are making the disclosure. See infra regarding determination of disclosure period.

**Lines 4a through 5m.** Line 4a through 5m identifies the taxpayer(s) for whom Form 14457 is being submitted.

**Taxpayer Name.** Enter the taxpayer’s full legal name – First, Middle, Last.

**Decedents.** For disclosures involving decedents, the taxpayer name field should identify that the party is an estate and it should identify the executor and appropriate title. Example: Estate of John Doe, Jane Doe (Executor). The contact information should be that of the executor (personal representative) submitting the disclosure. The submission must include a Form 56, *Notice Concerning Fiduciary Relationship*, and related documentation.

If an executor is making a disclosure, the executor should complete the Line 4 “taxpayer” field with the executor’s information, then complete Line 5 “spouse” field with information about the decedent and write “(decedent)” after the taxpayers name.

**Identifying number.** Individuals should enter a social security number (SSN) or a taxpayer identification number (ITIN) issued by the IRS. Entities should enter an employer identification number (EIN). If you do not have a taxpayer identification number, please explain.

**Date of Birth.** Enter the taxpayer date of birth using the MM/DD/YYYY.

**Alias.** Enter any and all aliases used by the taxpayer.

**Occupation.** Enter your occupation or, if applicable, provide information on your work status such as “retired” or “unemployed.”

**Address.** Include the suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and you have a P.O. box, show the box number instead.

**Foreign address.** Follow the country’s practice for entering the postal code. Do not abbreviate the country name.

**Citizenship.** Enter name of all countries to which you hold citizenship,

**Passport Information.** Enter your current passport number and country of issuance. If you hold more than one current passport, provide the information for all passports issued to you. If you held a passport issued by a country other than the United States of America that expired within ten years, provide the information for all expired passports issued to you. If you hold more than one passport, explain in the narrative whether you ever used a foreign passport for entry into the U.S.

**Joint Disclosure.** If you and your spouse are making a joint disclosure, complete lines 5a through 5m. Leave lines 5f through 5k blank if the telephone number and/or address are the same as in lines 4f through 4k. See *Joint Returns and Disclosures* in Definitions and Special Rules for more details.

**Lines 6a through 6i.** If you have appointed a representative by means of a Form 2848, Power of Attorney and Declaration of Representative, or equivalent document for the tax years and type of tax at issue in the preclearance request, enter the representative's information in lines 6a and 6i. Attach Form 2848 if it is not already on file with the IRS. If you have not appointed a representative for the tax years and type of tax at issue in the preclearance request, check the box between lines 6a and 6b. Check the box on 6i to request IRS-CI correspondence be sent to the taxpayer.

**Line 7.** List all entities (corporations, partnerships, trusts, etc.) which are in any way related to your noncompliance during the disclosure period. Include both domestic and foreign entities that you owned, controlled, or were the beneficial owner of, either directly or indirectly, including all nominee entities used to conceal the true ownership of noncompliant assets. Include the entity name and its Employer Identification Number (EIN), if applicable. Identify all entities tied to noncompliant financial accounts in Part I, Line 12. Further identifying information and details will be provided for these entities in Part II, Line 7, the narrative statement of facts. If more than one entity is required to be listed, click the **Add Entity** button; the form will expand to accommodate additional entities.

**Definition of Related Entity.** Related entity means any and all entities (such as corporations, partnerships, associations, limited liability companies, trusts, estates, escrows, charitable foundations, insurance companies, international business companies, etc.) whether foreign or domestic, which a person (defined broadly to include natural persons and entities), personally or through any other person, owns, controls, or in any way has the ability to exercise authority over, either directly or indirectly. The concept of related entities goes beyond constructive ownership and attribution rules and should be interpreted broadly.

**Example 1 (Domestic):** Taxpayer, a U.S. citizen, was the sole shareholder and chief executive of a domestic corporation. The taxpayer, on occasion, requested that clients write checks in his personal name instead of in the name of the corporation. Taxpayer deposited these checks directly into his personal bank account and willfully failed to capture these transactions in his corporate books and failed to report the income on the corporation's tax returns. When submitting a preclearance request, the taxpayer should: disclose the name of the entity and its EIN (Part I, Line 7), list any noncompliant bank account(s) and associate it with the entity (Part I, Line 12).

**Example 2 (Offshore):** Taxpayer, a U.S. citizen, formed a corporation in Country A and transferred to it cash used to open a brokerage account in Country B. Taxpayer did not properly disclose to the bank that the beneficial owner of the corporation is a U.S. citizen. In addition, the taxpayer filed income tax returns that failed to disclose the creation, capitalization, and existence of the corporation, the foreign bank account (including failure to file FBARs), and any income reportable under section 951 (Subpart F income). When submitting a preclearance request, the taxpayer should disclose: the name of the entity (Part I, Line 7), noncompliant bank account(s) the entity held and associate it with the entity (Part I, Line 12).

*You may be ineligible to participate in the IRS-CI Voluntary Disclosure Practice if you mark yes to any of the questions in lines 8 and 11. Any information you provide to the IRS as part of your preclearance will be retained. See the Eligibility section and Timely/Timeliness definition in the General Information section of these instructions to help determine if making a preclearance request is appropriate.*

**Line 8.** Review and answer the question in line 8. If you believe that the IRS has obtained information concerning your tax liability, please explain in the field provided.

**Line 9.** Review and answer the question in line 9. IRS civil campuses conduct automated information return matching which may result in the issuance of a notice of deficiency. If a taxpayer receives a notices of deficiency from an automated substitute for return unit, that notice of deficiency will render a voluntary disclosure untimely because the IRS has formally notified the taxpayer of the taxpayer's failure to file an income tax return. The failure to file an income tax return would go to the very essence of a voluntary disclosure for a nonfiler. On the other hand, automated underreporter units may issue notices of deficiency relating to specific income reported by third parties. A notice of deficiency issued by an automated underreporter unit will not automatically render a voluntary disclosure untimely. Rather, the IRS will analyze the notice of deficiency and make a preliminary timeliness determination while processing Form 14457, Part I. The IRS will also analyze and compare the issue identified in the notice of deficiency with the facts provided in Form 14457, Part II. If the issue in the notice of deficiency does not relate to the issues motivating the voluntary disclosure, then the preliminary timeliness determination will stand. The narrative provided with Form 14457, Part II must address any notices of deficiency issued and any nexus between the issue in the notice of deficiency and the voluntary disclosure. Please explain in the field provided.

**Line 10.** Review and answer the question in Line 10. Prior or ongoing tax litigation relating to the years in the anticipated disclosure period may render a voluntary disclosure untimely. Please explain and include the case caption, the case docket number, and the court in which the case is/was docketed in the field provided.

**Line 11.** Review and answer the questions in Lines 8 through 11d. These questions must be answered for you, your spouse (if a joint disclosure), and related entities (identified in line 7). If you check "Yes" to any of the questions, provide an explanation in the blank space provided. Checking "Yes" to Line 11c does not automatically make you ineligible for the IRS-CI Voluntary Disclosure Practice. If you are a subject or target of a criminal investigation involving tax or financial matters, (including state and foreign investigations), please explain. Your explanation may clarify matters and allow CI to proceed with preclearance. State or foreign criminal investigations with zero nexus to financial matters need not be disclosed. The following example illustrates a criminal investigation with zero nexus to financial matters:

**Example 1:** Taxpayer is under criminal investigation by State X for assault charges resulting from a bar room brawl that took place during the disclosure period. You may disclose that criminal investigation but are not required to because it has zero nexus to financial matters.

**Example 2:** Taxpayer is under criminal investigation by State X for embezzlement that took place during the disclosure period. You must disclose that criminal investigation because it has a nexus to a financial matter. Failure to disclose will render the disclosure incomplete and not truthful.

**Line 12.** Provide financial institution and account number details for all noncompliant financial accounts you owned or controlled or were the beneficial owner of, either directly or indirectly. The listings must cover the entire disclosure period, including all domestic and foreign accounts opened and closed accounts which were noncompliant, including those held through entities.

**Definition of Financial Account.** A financial account includes, but is not limited to, a securities, brokerage, savings, demand, checking, deposit, time deposit, or other account maintained with a financial institution (or other person performing the services of a financial institution). A financial account also includes a commodity futures or options account, an insurance policy with a cash value (such as a whole life insurance policy), an annuity policy with a cash value, and shares in a mutual fund or similar pooled fund (i.e., a fund that is available to the general public with a regular net asset value determination and regular redemptions). Financial account includes accounts held by nominees, alter egos, and transferees. The definition of financial account should be interpreted broadly to also include any type of relationship with a third party established to provide or engage in deposit-type services or other financial services; this includes virtual currency, gambling accounts, and other deposit-type arrangements that function like a financial account regardless of who provides the arrangement. To avoid duplicative reporting, Virtual Currency accounts should be reported under Line 13.

For purposes of preclearance, a noncompliant financial account is an account that:

- generated income and the income was not reported for federal income tax purposes,
- received previously untaxed funds, or
- was required to be reported on an information return or report (e.g., Form 8938 or FBAR) and was not reported.

The following hypothetical illustrates “received previously untaxed funds”: Taxpayer A owns a restaurant as a sole proprietorship. Taxpayer A reports all credit card receipts but only 20% of cash receipts. Taxpayer A deposited net credit card receipts into an account at Alpha Bank and the unreported cash into an account at Beta Bank. Later, Taxpayer A transferred some funds from the Beta Bank account into an account at Delta Bank. The Alpha Bank account is tax compliant. Assume all income from the Delta Bank account was reported. For purposes of reporting noncompliant financial accounts, Taxpayer A only needs to list the account at Beta Bank because that account directly received previously untaxed funds.

Each financial institution should be listed once; the form is designed to expand to accommodate additional financial institutions, as applicable, by clicking the **Add Financial Account** button. For each financial institution, you must list all account numbers held at the institution. Account numbers should be organized in order of who held the account. Jointly held accounts should be identified as such and only listed once. Account holders must match the disclosing taxpayer(s) from lines 4 and 5, or an entity named on line 7.

**Line 13.** “Virtual Currency” is a dynamic area, and for purposes of this form the term encompasses assets beyond what many define as virtual currencies. Please refer to [irs.gov](https://www.irs.gov) for additional guidance on virtual currency and related topics (see [Frequently Asked Questions on Virtual Currency Transactions | Internal Revenue Service \(irs.gov\)](#))

Provide details for all noncompliant virtual currency you owned or controlled or were the beneficial owner of, either directly or indirectly. The listings must cover the entire disclosure period, including assets acquired or disposed of during the disclosure period and including those held through entities. Additionally, if you used a “mixer” or “tumbler” in connection with your virtual currency or any virtual currency transaction, identify the mixer or tumbler used and explain why you used it.

For purposes of preclearance, a noncompliant virtual currency is an asset that should have been reported on a federal income tax return or other required federal information return and was not previously reported.

Each virtual currency should be listed once; the form is designed to expand to accommodate additional virtual currencies, as applicable, by clicking the Add Virtual Currency button. Jointly held assets should be identified as such and only listed once. Asset holders must match the disclosing taxpayer(s) from lines 4 and 5, or an entity named on line 7.

## Part II – Voluntary Disclosure

*Do NOT submit Part II until you receive preclearance containing the case control number. This case control number is required to complete Part II of this form.*

**Part II – Voluntary Disclosure.** After IRS-CI notifies you that you have been granted preclearance, complete and submit Form 14457, Part II for preliminary acceptance. Do not submit Part II without first obtaining preclearance and a case control number in the written preclearance notice. You must complete Form 14457, Part II within 45 days of preclearance. An additional 45-day extension may be granted upon written request; fax the request for an extension to IRS-CI at 844-253-5613 or email to [vdp@ci.irs.gov](mailto:vdp@ci.irs.gov). Preliminary acceptance requires specific information related to your noncompliance, including a narrative statement of facts (discussed later) and identification of related entities and assets involved in the noncompliance. Part II must be signed by you and your spouse (if making a joint disclosure).

**Identifying Information.** The identifying information at the top of Part II will carry over from Part I of this form. If you did not save or lost the electronic file started with Part I, complete the related fields in Part I of this form so that the fields will populate in Part II.

**Line 1.** Enter the case control number provided by IRS-CI in their written notice that the preclearance application was approved. Also, check the box if you are unable to full pay the tax, interest and penalties in full. The burden is on the taxpayer to establish inability to pay. All remaining fields in Line 1 will auto-populate from information entered in Form 14457, Part I.

**Line 2.** Check all applicable boxes identifying the source of funds (U.S. source, foreign source, illegal source, gift or inheritance, virtual currency, or other) that is the subject of this disclosure and provide an explanation in the blank space at the bottom of line 2.

See the *eligibility requirements regarding illegal source income in the General Information section of these instructions.*

**Line 3.** Check either the “Yes” or “No” box, as applicable, if you have taken a position that you were a bona fide resident of a U.S. territory (e.g., American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, or the U.S. Virgin Islands) or if you filed an income tax return with a U.S. territory during the disclosure period. If “Yes,” you must list the territory and tax years in the blank space at the bottom of line 3. Also, comment if you have or intend to make voluntary disclosure to the U.S. territory.

**Line 4.** For each tax year of the disclosure period, identify the tax year covered by the disclosure and select the appropriate range of unreported income from the drop-down menu in the unreported income field for each corresponding year. **Note:** *All amounts must be denominated in U.S. Dollars using year-end exchange rates.*

**Line 5 (Offshore Issues).** If the disclosure period included noncompliant offshore holdings, identify the years and select the appropriate range of the **noncompliant highest aggregate account or asset value** from the drop-down menu in the Highest aggregate account/Asset value field for each corresponding year in the disclosure period. You should only include noncompliant offshore holding in these range fields: holding that you failed to report income or disclose on international information returns (e.g., Form 8938) and FBARs. If you held a mixture of compliant and noncompliant accounts and assets, you should provide these details on Part II, Line 8, the narrative statement of facts. **Note:** *All amounts must be denominated in U.S. Dollars using year-end exchange rates.*

For offshore issues relating to entities, there is no need to list accounts in which the taxpayer had no financial interest, such as an employer’s account over which the taxpayer had only signature authority, or portions of assets in which the taxpayer had no personal financial interest. If the taxpayer is a shareholder of the foreign entity holding the account, then the taxpayer is deemed to have an interest in the foreign account through ownership in the foreign entity.

**Example 1:** Taxpayer owns 50% of the shares in Foreign Co. Alpha. Non-U.S. persons who are family members of taxpayer own the remaining shares of Foreign Co. Alpha. Foreign Co. Alpha has an operating bank account at Foreign Bank Beta. Taxpayer failed to report ownership in Foreign Co. Alpha on Forms 5471 and failed to report her interest in the bank account on FBARs. Taxpayer must report her ownership in Foreign Co. Alpha and her effective control over the account at Foreign Bank Beta.

**Example 2:** Taxpayer is a salaried employee of Foreign Co. Delta. Taxpayer has no ownership interest in Foreign Co. Delta. Taxpayer is a signatory on an operating account for Foreign Co. Delta held at Foreign Bank Gamma. Taxpayer has no personal financial interest in Foreign Co. Delta’s account at Foreign Bank Gamma. Taxpayer does not need to report the account at Foreign Bank Gamma based on these facts. But Taxpayer will still need to remedy FBAR noncompliance relating to the signature authority on the account.

**Lines 6a through 6c (Offshore Issues).** Check either the “Yes” or “No” box, as applicable, for you and your spouse (if applicable) in response to each question regarding inquiries made by a foreign government or institution and responses to those inquiries.

**Line 7.** Provide a narrative with specific facts that detail the complete story of the willful tax or tax-related noncompliance. The narrative must truthfully and in complete detail explain your noncompliance from inception to the present. Any submission that does not contain a narrative statement of facts will be considered incomplete. For married taxpayers submitting a joint Form 14457, indicate the intention to disclosure jointly and specify where facts are unique to each spouse.

**7a. Taxpayer Personal and Professional Background.** Personal background includes age, health, education, and general financial history. Professional background must summarize your work and business experience.

**7b. Professional Advisors.** Identify all professional advisors and facilitators that rendered services to you from the inception of the noncompliance relating to the disclosure period, regardless of their connection to or knowledge of your noncompliance. Professional advisors include attorneys, accountants, financial planners, private bankers, consultants, and the like. Provide the name, mailing address, website, email address, and telephone number of all professional advisors. Explain the type of advice or services provided and whether you fully disclosed your noncompliance and/or if they helped facilitate it. If known, describe all interactions among your professional advisors related to your noncompliance. Additionally, identify all persons that maintained records on your behalf.

**Note:** *You are not required to summarize legal advice concerning your voluntary disclosure from attorneys currently representing you in your voluntary disclosure.*

**7c. Noncompliance.** Describe the federal tax noncompliance in complete and thorough detail. For income tax and FBAR noncompliance, include all tax and tax-related willful failures to report income, pay tax, and submit all required information returns and reports (including FBARs). For estate, gift, and/or GST noncompliance, include all details about the estate, gift, and/or GST issues; include estimates of understatements of estate, gift, and/or GST tax. For employment tax noncompliance, include all details about the employment tax issues, provide a schedule of gross unreported wages by quarter, explain any issues relating to withholding, and identify all employees affected; we encourage you to incorporate by reference a schedule/spreadsheet showing noncompliance by taxable quarter listing unreported wages by employee and employment taxes due. For virtual currency, describe how and where it is held (exchange, host wallet, private wallet, etc.), how it was obtained, and provide all specific identifiers relating to the virtual currency (user ID, internal customer ID, account number, etc.). For all types of noncompliance, include the whole story with all favorable and unfavorable facts including the entire history of noncompliance from inception to the present. You **must** provide specific facts explaining your willful compliance failures. You **must** address the source of all unreported income. You **must** address the use of nominees, alter egos, and any other methods used to conceal your willful noncompliance. A voluntary disclosure requires you to be truthful, timely, and complete in your disclosure. If you do not provide all the details, your disclosure may be rejected (or preliminary acceptance may later be revoked) as not truthful and/or not complete.

For each entity involved:

- Identify them by name (remaining identifying detail provided in Part I, Line 7),



- State your ownership interests,
- Identify all other known owners and include their percentage of ownership,
- Provide an organizational chart to diagram the ownership of the entities, if available,
- Provide a complete story detailing how they were involved in the noncompliance

**Noncompliance (Decedents).** The executor (personal representative) will be required to complete the narrative on behalf of the decedent by providing complete facts concerning the decedent's conduct and intent. If the executor (personal representative) was willful in administering the estate, the executor must provide complete facts outlining her conduct and intent. As part of the narrative, the executor (personal representative) will also need to explain who has control of the underlying records of the decedent and the estate.

**Noncompliance (Offshore Issues).** If your voluntary disclosure involves offshore issues, explain the source of funds in all of your foreign financial assets. Explain your control over and transactions with the foreign financial asset including withdrawals, deposits, loans, and investment/management decisions. Provide a complete story about your foreign financial assets.

**Noncompliance (Virtual Currency).** If your voluntary disclosure involves virtual currency, whether domestic or offshore, explain in the narrative the noncompliance:

- How the assets were acquired (kiosk, centralized online, peer-to-peer platform operator, exchange payment processor, custodial broker, etc., including alternative methods of acquisition such as air drop, mined, gift, traded).
- How the assets were held (exchange, hosted wallet, private wallet, etc.). When multiple virtual currencies are held, please reference each asset by "Identifying Number or Other Designation" as described in Part I line 13.
- Names of virtual currencies acquired
- Outline your acquisition of virtual currency and provide at least rough estimates of total virtual currency transactions by year.

**Reminders:**

Make sure to included virtual currencies in combined tax noncompliance and the asset fair market values required in Part II Line 4 and Line 5 (if applicable).

Be prepared to provide examiners with specific information relating to virtual currency noncompliance such as number of units, cost basis, and other specifics relating to transactions.

**Signature Box.** The taxpayer making the voluntary disclosure must sign **Part II** under penalties of perjury. In the case of a joint disclosure, both taxpayers must sign. In the case of an estate or an entity, the fiduciary or the officer must sign, respectfully. By signing, you declare that you have examined the document and accompanying schedules and statements and, to the best of your knowledge and belief, they are true, correct and complete. Additionally, signing is a certification that you will cooperate with the IRS, including determining your tax liability and making good faith arrangements to pay all taxes, interest, and penalties associated with this voluntary disclosure.

In the case of a decedent or an estate, the executor (personal representative) must sign the Form 14457, Part II, and attach Form 56, Notice Concerning Fiduciary Relationship, and a certified copy of letters of testamentary or court certificate certifying the present status of the estate.

IRS-CI will accept photocopies, facsimiles, and scans of taxpayer signatures on Form 14457. Please provide the complete signature page if you submit a photocopy, facsimile, or scan. We cannot accept "electronic signatures" on Form 14457.

*Part II must be signed by the taxpayers who are filing the application. A representative by means of a power-of attorney cannot sign the voluntary disclosure on behalf of the taxpayers.*

**Note:** *The Internal Revenue Service reserves the right to make further contacts with the taxpayer(s) to clarify the submission.*

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

Our legal right to ask for information is Internal Revenue Code sections 6001, 6011, and 6012(a), and their regulations, which require you to file a return or statement with us for any tax for which you are liable. Your response is mandatory under these sections. Code section 6109 requires you to provide your identifying number on the return. You must fill in all parts of the tax form that apply to you.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the Internal Revenue Service to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, and U.S. commonwealths or possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. Failure to provide this information, or providing false information, may subject you to fines or penalties.

Keep this notice with your records. It may help you if we ask you for other information. If you have any questions about the rules for filing and giving information, please call or visit any Internal Revenue Service office.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated burden for taxpayers who file this form is shown below:

Recordkeeping . . . . .	6 hr., 00 min.
Learning about the law or the form . . . . .	3 hr., 00 min.
Preparing the form . . . . .	50 hr., 00 min.
Sending the form to the IRS . . . . .	0 hr., 15 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or you can send your comments to: Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this office. Instead, see *When and Where To File*, earlier.