



## Offshore Credit Card Program (OCCP)

U.S. citizens must pay tax on their worldwide income. Credit cards provide easy access to offshore funds and accounts in tax haven countries that allow income to be hidden. It is not illegal to have an offshore credit card, but the average person doesn't need one. There is a reasonable basis for believing that some people are using offshore credit cards to help them evade paying U.S. taxes.

The Internal Revenue Service has taken several major steps to combat tax-avoidance schemes involving credit cards issued by offshore banks. As reflected in publicly filed documents, a number of actions have taken place in this Offshore Credit Card Program.

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### Credit Card Companies

- On October 30, 2000, a federal judge in Miami issued an order authorizing the IRS to serve John Doe summonses on American Express and MasterCard.

These summonses were designed to obtain limited information for 1998 and 1999 revealing U.S. participants in offshore arrangements who hold credit cards issued by banks from Antigua and Barbuda, the Bahamas, and the Cayman Islands.

- On March 25, 2002, the IRS petitioned the U.S. District Court in San Francisco for permission to serve a John Doe summons on VISA International seeking records on transactions for 1999-2001 using cards issued by banks in over 30 tax haven countries.

According to an affidavit filed in support of the VISA petition, MasterCard complied with the John Doe summons by producing electronic database records. These records were for transactions for cards issued in Antigua and Barbuda, the Bahamas and the Cayman Islands. Many of these cards appear to have been issued to U.S. customers. Based on these records, the IRS already has developed hundreds of cases for civil audits or potential criminal investigation.

On March 27, 2002, a federal judge in San Francisco issued an order authorizing the IRS to serve the John Doe summons on VISA.

- On March 25, 2002, a stipulation requesting a court order was filed in the U.S. District Court for the Southern District of Florida. The IRS came to a stipulated agreement with American Express. According to the agreement, American Express would provide certain records for 1998 and 1999 on cards for U.S. taxpayers with transactions in the U.S. and mailing addresses in Antigua and Barbuda, the Bahamas or the Cayman Islands.

On March 26, 2002, a federal judge in Miami issued an order requiring American Express to comply with the John Doe summons as modified in the agreement.

- On August 15, 2002, the IRS petitioned the U.S. District Court for the Southern District of Florida for approval to serve a John Doe summons on MasterCard for records on transactions using credit cards issued by banks in over 30 tax haven countries for 1999-2001.

On August 20, 2002, a federal judge in Miami issued an order authorizing the IRS to serve the second John Doe summons on MasterCard that was requested on August 15, 2002.

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### Businesses

The IRS has sought a limited amount of information from various businesses to help identify individuals holding offshore credit cards.

In some instances, the IRS has been unable to precisely identify individuals based on the information received from MasterCard. (MasterCard does not directly issue cards to individuals but processes transactions for member banks licensed to issue the credit cards.)

To obtain or verify the actual names of some individuals, the IRS needed to take this additional step of going to some of the merchants where purchases were made. The IRS believed these firms, as part of the routine course of business, have information in their records identifying the people who made these transactions. The IRS will work cooperatively with the companies to obtain this limited information in an efficient, timely manner.

By requesting these John Doe summonses, the IRS was not saying that these companies had done anything improper. As these companies conduct normal business with customers, they are unaware whether someone even has an offshore credit card.

This effort is aimed at individuals dodging their tax responsibilities. The IRS wants to ensure offshore credit card users uphold their responsibility to all U.S. taxpayers and pay their fair share of taxes. Information gathered in this process will be used for possible civil examinations and criminal investigations.

- On August 29, 2002, the IRS petitioned seven U.S. District Courts across the country for approval to serve John Doe summonses on businesses. These courts are located in Alexandria, Va.; Atlanta, Ga.; Chicago, Ill.; Dallas, Tex.; Newark, N.J.; San Francisco, Calif.; and Seattle, Wash. The summonses were directed to a limited number of businesses that engaged in business or financial transactions with individuals using MasterCard payment cards issued by or through banks in Antigua and Barbuda, the Bahamas or the Cayman Islands.

More than 40 companies were named in these seven petitions. They included airlines, hotels, rental car companies and Internet providers where offshore cards were used.

Federal judges for all seven U.S. District Courts issued orders authorizing service of the John Doe summonses as requested in the August 29 petitions.

- On October 11-16, 2002, the IRS petitioned 11 U.S. District Courts across the country for approval to serve additional John Doe summonses on more than 70 businesses. These companies included automobile and truck dealerships, hotels, airlines and retail establishments where offshore cards were used. These courts are located in Greenbelt, Md.; Cincinnati, Ohio; Los Angeles, Calif.; Miami, Fla.; Manhattan, N.Y.; Orlando, Fla.; Phoenix, Ariz.; Charlottesville, Va.; Austin, Tex.; St. Louis, Mo.; and Minneapolis, Minn.

Federal judges for all 11 U.S. District Courts issued orders authorizing service of the John Doe summonses as requested in the October petitions.

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## **Offshore Voluntary Compliance Initiative**

On January 14, 2003, the IRS announced this initiative aimed at bringing taxpayers who used "offshore" payment cards or other offshore financial arrangements to hide their income back into compliance with the tax law. Under the OVCI, eligible taxpayers who came forward would not face civil fraud and information return penalties, but still had to pay back taxes, interest and certain accuracy or delinquency penalties. In the request to participate, the taxpayer had to provide full details on those who promoted or solicited the offshore financial arrangement. The OVCI deadline was April 15, 2003.

- [OVCI and OCCP Results](#) — July 2003
- [Initial Results](#) — OVCI Program
- [States Extend Benefits to OVCI Participants](#)

- [Clarifications](#) — Direct Applications, Prior Year Returns, updated FAQs
- [Announcement of OVCI](#)

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