

Foreign Taxpayers Cautiously Optimistic About IRS's Payment Plan

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By Jonathan Curry

Buried in the IRS's new strategic operating plan is a project that would make paying taxes just a little bit easier for overseas taxpayers, but it's still not clear how — or when — the agency will meet its pledge.

Taxpayers in foreign jurisdictions often struggle to meet even basic taxpayer obligations for a litany of reasons, and Initiative 1.10 of the [plan](#), released April 6, briefly describes a project that would at least make it easier for such taxpayers to make tax payments and receive refunds while living abroad.

"It's a big deal," Charles Bruce of American Citizens Abroad told *Tax Notes*. "There are many Americans overseas who don't have a U.S. [bank] account, so this is a big help."

According to the proposal, the IRS envisions allowing "those with foreign bank accounts and foreign currency to make and receive payments."

House Ways and Means Committee member Donald S. Beyer Jr., D-Va., who in the past introduced legislation like the Tax Simplification for Americans Abroad Act, praised the plan overall as an "important step toward solving some of the problems Americans abroad report about dealing with our tax system."

Beyer added that he hoped the inclusion of the project on payments "signals more attention to issues faced by Americans abroad from the IRS going forward."

Doris L. Speer and Paul Atkinson of the Association of Americans Resident Overseas were also pleased by the inclusion of the project. "Assured access to the U.S. payment system would be very welcome," they said in a joint statement.

However, unlike many other initiatives featured in the plan, the IRS didn't provide a milestone marker for when it anticipates this functionality will be operational.

Nothing's Easy

The many challenges of complying with tax obligations faced by many overseas taxpayers were featured in National Taxpayer Advocate Erin Collins's most recent [annual report](#) to Congress, making it onto the list of the 10 most serious problems facing the IRS in 2022. According to the report, "taxpayers living overseas face additional challenges in virtually every aspect of their taxpayer experience," including when it comes to simply filing an electronic return.

Collins's report found, for example, that mail problems and delays often interfere with overseas taxpayers' ability to receive refunds. In fiscal 2021 the IRS issued replacement refund checks to over 13,000 taxpayers with foreign addresses, and it issued another 70,000 letters to overseas taxpayers informing them that their refund check had expired.

According to Speer and Atkinson, overseas Americans have for years had to use a U.S.-based bank account to make tax payments, which they may not have; rely on someone in the United States to make payments for them, which isn't always feasible; or go to their local overseas bank to make the transfer, a time-consuming and unwieldy process.

Fortunately for those taxpayers, the IRS is already making progress in facilitating overseas payments. The national taxpayer advocate report notes that in early 2022, the agency began using the International Treasury Service for direct deposits, which eliminated limits on refund amounts and requirements that taxpayers maintain an account with a domestic bank.

Bruce said it "would be terrific" if overseas taxpayers could pay their taxes using a foreign bank account and foreign currency — as the project's description seems to imply — though he added that the latter could prove challenging.

Speer and Atkinson also questioned how the IRS intended to follow through on accepting payments in foreign currency. "Payments to and from overseas involve currency conversions and movements from one system to another, which involves costs. The IRS is not a bank and has so far resisted setting this up," they said.

Beyond making tax transactions easier, the IRS's proposed improvements to taxpayer online accounts would also be enthusiastically welcomed, Bruce added. In his own experience setting up his taxpayer account, he was able to do so successfully but said that "it wasn't slick."

"I think they intend to continue to hit away at that because that would help everybody," Bruce said.

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