

Tax Insights | November 1, 2023

Tracking Tax News You Need to Know



IRS Ramps Up Efforts to Scrutinize Large Foreign Corporations

The IRS [announced](#) new compliance measures targeting foreign corporations and large corporate taxpayers. The IRS will begin sending compliance alerts to approximately 150 U.S. subsidiaries of large foreign companies on U.S. tax obligations. In addition, starting in early 2024, the IRS will expand its compliance program within the Large Business and International Division to audit additional corporations.

Court Allows Taxpayer's Foreign Funds to Be Repatriated to Pay U.S. Tax Debt

The U.S. District Court for the Eastern District of Michigan [ruled](#) that a taxpayer can be ordered to repatriate foreign assets to repay the U.S. government because the taxpayer has insufficient assets in the United States. In *United States v. Kelly*, the taxpayer was issued to pay about \$1 million in penalties for failure to report his overseas bank account. The foreign bank where the account is opened is undergoing liquidation. The court noted that it had the jurisdiction to enter any order necessary to aid the collection of the taxpayer's unpaid judgment debts.

IRS Found to Have Wrongly Denied Foreign Tax Credits to American Expats

The U.S. Court of Federal Claims [held](#) the IRS wrongly denied foreign tax credits to U.S. taxpayers living in France. The court pointed out that the U.S.-France tax treaty allows a foreign tax credit to be applied to the net investment income tax. The taxpayers paid a 30 percent French tax on capital gains after selling the assets and sought to offset the U.S. taxes with foreign tax credits. The IRS granted foreign tax credits on the capital gains tax but denied credits on the net investment income tax, which was imposed under the Affordable Care Act.



[Christopher C. Scarpa](#)
215.564.8106 | cscarpa@stradley.com



[Jin Park](#)
212.812.4140 | jpark@stradley.com