SFC QUESTIONS FOR THE RECORD

Hearing: Fiscal Year 2018 Budget Proposals for the Department of Treasury and Tax Reform

U.S. Senator Tim Scott (R-SC)

Date of Hearing: 05.25.17

QFR for:

- The Honorable Steven Mnuchin, Secretary Of The Treasury, Department of the Treasury

The Foreign Accounts Tax Compliance Act (FATCA) was intended to prohibit the use of international financial accounts and transactions to evade federal income taxes.

However, under the previous Administration, the IRS and Treasury Department decided that such transactions should be treated as "withholdable payments" and therefore included under the FATCA enforcement regime.

International property and casualty insurance transactions have no cash value and can't be used to evade taxes.

The inclusion of these transactions under FATCA does not help fight tax evasion, but brings about a significant cost in regulatory compliance.

Please answer the following questions as specifically as possible:

1. What is your understanding of the previous Administration's justification for treating property and casualty premiums as withholdable payments under FATCA?
2. Does the Administration believe that the extraterritoriality of capturing insurance agreements on U.S. risk between foreign persons under FATCA is justified?
3. Can your Department issue additional guidance around the definition of when a premium is U.S.-source in an effort to reduce the burdens associated with FATCA compliance for insurers and reinsurers?
4. Is the Treasury Department willing to determine if there is a legitimate purpose to imposing FATCA requirements on property and casualty premiums that outweighs the significant burdens on the insurance industry and policyholders?