



District Court Misapplies APA in Florida Bankers Association

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Tax Notes

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The D.C. district court recently upheld regulations that require U.S. banks to report to the IRS interest paid to nonresident aliens on accounts held in those banks. The purpose of this reporting requirement is to enable the United States to share this information with treaty partners. In upholding the regulations, the court incorrectly concluded that only would-be tax evaders would withdraw funds from U.S. banks in response to this reporting requirement. Smith argues it was unreasonable for the IRS to conclude that no funds would be withdrawn by NRAs simply out of fear that the information would be misused by their home country government. The fact that the IRS may reasonably believe the safeguards against that misuse are adequate does not justify its assumption that any NRA who is not attempting to avoid paying tax would share that belief.