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### Beware Bank Interest Reporting Even For Nonresidents

You may want to keep a foreign bank account secret from your spouse, employer or business partner. But if you are trying to keep it secret from the IRS, think again. U.S. citizens and permanent residents must report their worldwide income to the IRS. That includes interest on foreign accounts even if taxed in another country.

Plus, if you have \$10,000 or more in a foreign account, you must check the box on [Schedule B](#) of your [Form 1040](#) disclosing it. Finally, you must annually file a Form [TD F 90-22.1](#) Report of Foreign Bank and Financial Accounts giving detail about the account. The IRS takes all this very seriously. See [Ten Things To Know About Offshore Bank Accounts](#).

What's more, the IRS is getting access to more and more banks and records all the time, starting with its push into [Swiss bank secrecy](#). See [IRS Will Find Your Offshore Account](#). More recently, the IRS is taking on HSBC viz. Indian account holders. See [IRS Targets 9,000 Taxpayers With Offshore Accounts Linked To India](#).

Now, the IRS wants to require U.S. banks to report interest paid on deposits held by nonresident aliens too. Current tax regulations ([Section 1.6049-8\(a\)](#)) require U.S. banks to report interest only if paid to a U.S. person or nonresident alien individual who is a resident of Canada. But in 2010's [HIRE Act](#), Congress went after offshore tax evasion in the [Foreign Account Tax Compliance Act](#). See [Beware Foreign Trust](#)

## [Reporting to IRS.](#)

As an encore, the IRS has issued [proposed regulations](#) that require banks to report interest paid to nonresident alien individuals who are residents of **any** foreign country. Not everyone is pleased about this. A [March 2, 2011 letter](#) from Rep. Posey and 24 other members of Congress claims such rules could harm U.S. financial markets and even compromise the personal safety of nonresident alien depositors in unstable countries.

Treasury Assistant Secretary for Tax Policy Michael Mundaca responded on [March 31, 2011](#), claiming the rules will put the U.S. in a better position to trade information and strengthen information exchanges. But Rep. Posey fears bank information may lead to kidnappings or terrorist actions. While Rep. Posey also fears capital flight by nonresident alien depositors would hurt the U.S., Mundaca claims that's not so, noting that similar concerns were raised when rules were proposed regarding U.S. accounts of Canadian residents.

For more, see:

[“Quiet” Foreign Account Disclosure Not Enough](#)

[Tax Cheaters’ Choice: Reveal Secret Accounts Or Go To Jail](#)

[2011 Offshore Voluntary Disclosure Initiative](#)

[IRS On What Is A Foreign Account](#)

[IRS Offshore Amnesty: Second \(Last\) Chance](#)

[IRS Foreign Account Disclosure: What About The States?](#)

[Beware Foreign Trust Reporting to IRS](#)

[Don’t underestimate IRS’s new foreign tax rules](#)

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