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Beware IRS And Foreign Account Data Swaps

I recently warned that the [IRS will find your offshore account](#). If you have foreign bank accounts containing more than \$10,000 at any time during the year, you have important IRS obligations:

1. Check the “yes” box on [Schedule B](#) to your IRS [Form 1040](#) disclosing that you have a foreign account.
2. Report your worldwide income including interest on the foreign account and other earnings even if the foreign income is taxed elsewhere.
3. File an annual disclosure on Treasury Form, TD F 90-22.1 — commonly called an [FBAR](#) (Report of Foreign Bank and Financial Accounts). FBARs are due each June 30 for the preceding year.

Since you must sign tax returns under penalties of perjury, failures can be considered tax evasion or fraud. Tax evasion carries a prison term of up to five years and a fine of up to \$250,000. Filing a false return carries a prison term of up to three years and a fine of up to \$250,000. Failing to file a tax return carries a prison term of up to one year and a fine of up to \$100,000. The penalties for failure to file an FBAR are even worse: a prison term of up to ten years and criminal penalties up to \$500,000 for **each** FBAR.

If you failed to comply you can make a “voluntary disclosure” to the IRS. See [Tax Amnesty: IRS Voluntary Disclosure Part Deux](#). But this should be done carefully, through a tax lawyer rather than an accountant because of attorney-client privilege. The IRS [latest amnesty program](#) allows you a way out if you are noncompliant with the maze of tax and reporting required for foreign bank accounts. See [IRS Updates Voluntary Disclosure Amnesty: What You Should Know](#).

Wherever your foreign accounts may be, don’t assume they will remain secret. The U.S. and many foreign governments are constantly streamlining information exchanges and more are clearly on the way. Yes, Switzerland is [involved](#). Plus, at the recent [Global Transparency Forum](#) held in Bermuda, representatives of a whopping 101 countries met to review and assess their respective progress with the OECD’s transparency guidelines.

While many may be focusing with laser like intensity on Switzerland, it is not the only game in town. As this [report](#) indicates we can expect continuing developments in global transparency.

For more, see:

[How Do You Opt Out Of IRS Voluntary Disclosure?](#)

[IRS Updates Voluntary Disclosure Amnesty: What You Should Know](#)

[IRS Voluntary Disclosure A Mistake For Some](#)

[Should You File FBAR For The First Time?](#)

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

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

[Latest Foreign Account Prosecution Fuels Fears](#)

[IRS To Whistleblowers: “Thanks, But We’re Withholding!”](#)

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