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First Indictments Over Bank Accounts In Israel

U.S. citizens with accounts in Israel may feel a little less secure now that three dual nationals have been indicted. The Justice Department and IRS announced the indictment of three Israeli-American tax preparers charged with helping Americans hide money in Israeli banks. The charges say father and son David and Nadav Kalai had dual citizenship in Israel and the U.S., while the third defendant, David Almog, was an Israeli citizen living in the U.S.



They all worked for United Revenue Service Inc. (URS), a tax-preparation firm with 12 U.S. offices. According to the indictment, David Kalai and Nadav Kalai were principals of URS. David Kalai worked at URS in Newport Beach and Costa Mesa, California.

Nadav Kalai worked at URS in Bethesda, Maryland, Newport Beach and Costa Mesa, California. David Almog worked at URS in New York. According to the indictment, the men set up offshore corporations with secret accounts at two Israeli banks. The indictment didn't name the Israeli banks but both are said to be based in Tel-Aviv. See [Israeli Tax Preparers Snared](#).

The indictment alleges the men prepared tax returns falsely reporting money sent offshore as investment losses or business expenses. They underreported clients' income and failed to report foreign accounts, it continued. Although six American clients are said to be involved, the indictment does not disclose their names or the total amounts in question. See [USDOJ: Three Tax Return Preparers Charged](#).

U.S. citizens and permanent residents must report their worldwide income on their U.S. tax returns. That includes foreign earnings even if taxed elsewhere. Moreover, they must annually file an FBAR reporting foreign bank accounts if the total exceeds \$10,000 at any time during the year. See [Foreign Accounts? Don't Forget June 30 FBAR Deadline](#).

Once you're used to doing both, these obligations aren't too onerous. But fixing past compliance problems can be worrisome. See [Primer For First Time FBAR Filers](#). It has literally become a cottage industry. See [Should You File FBAR For The First Time?](#) The most reliable alternative is making a voluntary disclosure to the IRS. See [New IRS Offshore Amnesty Announced: Third Time's A Charm](#).

That involves fessing up to past failures and filing amended tax returns and FBARs going back eight years. One pays taxes, interest and a 20% penalty on unreported income. Most taxpayers seem willing to do that. More controversial and painful is a 27.5% penalty on the highest aggregate foreign account balance over the last eight years. See [Tax Expatriates: We'll Always Have Paris](#).

Although tax return filing might seem to be the biggest deadline, FBARs are due June 30 for the prior year. See [Foreign Accounts? Don't Forget June 30 FBAR Deadline](#). That means many U.S. persons are likely about to file. The latest indictments are likely to propel many to file and at least some to consider the IRS voluntary disclosure program.

For more, see:

[Is Closing Foreign Bank Accounts An Alternative To Disclosure?](#)

[Dual Citizens Worry: Will Israel Get A Special FATCA Deal?](#)

[Are Irish Eyes Smiling On FATCA?](#)

[Beware Longer IRS Statute Of Limitations On Foreign Accounts](#)

[FBAR Penalties: When Will IRS Let You Off With A Warning?](#)

[Living Abroad Sounds Idyllic—Until You Consider Taxes](#)

[10 IRS Rules for Stress-Free Foreign Accounts](#)

[Is Closing Foreign Bank Accounts An Alternative To Disclosure?](#)

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