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### IRS Streamlines Foreign Account Amnesty

Many U.S. citizens living abroad who haven't filed [FBARs](#) or reported worldwide income on their U.S. taxes want a better deal than the IRS Offshore Voluntary Disclosure Program (OVDP). See [New IRS Offshore Amnesty Announced: Third Time's A Charm](#). The IRS announced a limited program that's less expensive than the OVDP, but people want details. Plus, some people who went into the OVDP now may wish they had waited.



Photo credit: Salvatore.Freni

The [new IRS procedure](#) takes effect on September 1, 2012. See [IR-2012-65](#). But details are scant. If you qualify, you'll be able to file delinquent tax returns for only three years plus [FBARs](#) for six.

That's less than the usual eight amended returns and eight FBARs for OVDP participants. Even better, you can forget about that 27.5% penalty. Who qualifies? See [IRS Announces Tax Relief For Dual Citizens And U.S. Citizens Abroad](#).

**Converting?** If you're already in the OVDP, can you convert? Calling the OVDP hotline seemed like a good place to start, but the answer isn't yet clear. In non-binding oral advice, one Agent speculated about whether current OVDI or 2012 OVDP participants would be able to convert to the new program once final guidance is published. The Agent

said he expected that there would be a procedure or mechanism to do so. That makes sense, but there's no formal answer.

**Three or Eight Years?** Another question is how the three or eight years will be tallied. If the new program examines only three years and the OVDP examined eight, how many years will the IRS review to determine that the taxpayer had only \$1,500 of federal tax liability? Presumably three but that's not yet clear.

**\$1,500 of Tax Liability?** Does \$1,500 of federal tax liability mean \$1,500 of **additional** tax liability (counting only previously **undisclosed** income) or \$1,500 of **total** tax liability (counting both duly reported income and previously undisclosed income)? This particular Agent seemed to think it was more likely that it meant \$1,500 of **additional** tax liability, which seems to make sense.

**Non-residents Only.** The only firm statement from the Agent was that qualifying taxpayers must reside in a foreign country during the applicable look-back period. However, he could not say whether this look-back period would be three years, six years or longer. He also could not say whether qualifying taxpayers could have **dual** residences in both the U.S. and abroad.

For now, we have to be patient until closer to September 1. The IRS is doing its best to work through issues and produce guidance that will help many dual citizens get some relief.

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