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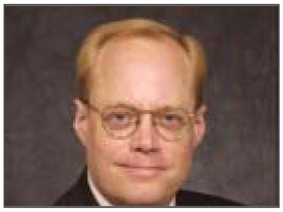

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It's Not Too Late For IRS Amnesty

It's not too late to enter the IRS 2011 Offshore Voluntary Disclosure Initiative (or OVDI). The program runs through August 31, 2011, offering what IRS Commissioner Shulman called the "last, best chance" to come clean. The IRS's 2009 offshore disclosure program netted about 15,000 taxpayers. See IRS Sets Offshore Amnesty, Part II. Since then, 3,000 more came in under the IRS's one-off system of voluntary disclosure. See Q&A 19.

Who? First, you must report worldwide income, even earnings taxed abroad. If you have foreign bank accounts with an aggregate balance of more than $10,000 at ***any time*** during the year, you must check the "yes" box on your IRS Form 1040 disclosing it. Plus, you must file an FBAR annually (Treasury Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts). You could hope you're never discovered.

However, you risk big civil and even criminal penalties. Plus, if you never file the forms, the statute of limitations never runs out. Meanwhile the IRS is getting more and more data from foreign governments and institutions to ferret out holdings by U.S. persons. That makes disclosure a good idea.

Why? Not everyone with a foreign bank account is trying to hide income or assets from the IRS. However, the IRS program doesn't distinguish between those who were trying to hide and those who weren't. Many people have their feet in multiple countries, inherited foreign accounts or married into them. Some U.S. citizens have never even lived in the U.S. Regardless, U.S. citizens and permanent residents are at risk if they don't report.

What? The 2011 voluntary disclosure program involves paying back taxes on any income you didn't report for 2003 through 2010 tax years, a 20% penalty on those back taxes, plus interest. There is also an FBAR penalty equal to 25% of the amount in the foreign account(s), as opposed to 20% before. See Q&A 8. You base that 25% on the year with the highest balance from 2003 through 2010.

Penalty Reduction? Some taxpayers qualify for reduced 5% or 12.5% penalties. See Q&A 52 and 53. The 12.5% penalty applies for offshore accounts or assets that did not surpass $75,000 any time between 2003 and 2010. See Q&A 53. Taxpayers who inherited a foreign account and never withdrew money or foreign residents who didn't even know they were U.S. citizens might face only a 5% penalty.

When? Taxpayers must not only come forward, but also file all original and amended tax returns, including paying taxes, interest and penalties —all by August 31, 2011. See Q&A 1. That deadline may be problematic. You must sweat the details, get counsel, review old tax returns and bank records, prepare all amended tax returns and file all required documents.

You can ***request*** an extension if you can demonstrate a good faith attempt to fully comply by August 31, 2011. The good faith attempt must include properly completed and signed agreements to extend the period of time to assess tax (including tax penalties) and to assess FBAR penalties, a statement of the missing disclosure items, why they are not included, and the steps taken to secure them. See FAQ 25.1.

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

Even U.S. Branch Accounts Abroad Trigger FBAR!

Should You File FBAR For The First Time?

Can IRS Force Your Accountant To Talk?

"Quiet" Foreign Account Disclosure Not Enough

Beware IRS And Foreign Account Data Swaps

IRS Foreign Account Disclosure: What About The States?

Latest Foreign Account Prosecution Fuels Fears

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