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THE CLOCK IS TICKING ON THE AMNESTY PERIOD FOR REPORTING UNDISCLOSED FOREIGN ACCOUNTS TO THE IRS

The amnesty period for reporting previously undisclosed offshore accounts expires on August 31, 2011. The IRS has issued a bulletin (see below) encouraging taxpayers to come forward voluntarily.

We have several clients who were quite surprised to find that their relatives back home (outside the USA) who had set up accounts for their benefit were covered by IRS disclosure rules. Nearly everyone who had an account at the Union Bank of Switzerland needs to pay attention to this opportunity. Even if the account is a joint account, or you merely have a power of attorney, you must disclose. People who own Mexican real estate through a trust need to consider this as well.

We believe that anyone who is thinking about taking advantage of the amnesty program should first consult with a knowledgeable tax attorney, however, because the program is not for everyone. In fact, we have found better alternatives in many cases. All cases must be treated as urgent.
Here is an excerpt of the recent IRS bulletin:

IR-2011-84, Aug. 8, 2011

"WASHINGTON — U.S. taxpayers hiding income in undisclosed offshore accounts are running out of time to take advantage of a soon-to-expire opportunity to come forward and get their taxes current with the Internal Revenue Service.
The IRS today reminded taxpayers that the 2011 Offshore Voluntary Disclosure Initiative (OVDI) will expire on Aug. 31, 2011. Taxpayers who come forward voluntarily get a better deal than those who wait for the IRS to find their undisclosed accounts and income. New foreign account reporting requirements are being phased in over the next few years, making it ever tougher to hide income offshore. As importantly, the IRS continues its focus on banks and bankers worldwide that assist U.S. taxpayers with hiding assets overseas.

…The 2011 initiative offers clear benefits to encourage taxpayers to come forward rather than risk detection by the IRS. Taxpayers hiding assets offshore who do not come forward will face far higher penalties along with potential criminal charges.

For the 2011 initiative, there is a new penalty framework that requires individuals to pay a penalty of 25 percent of the amount in the foreign bank accounts in the year with the highest aggregate account balance covering the 2003 to 2010 time period. Some taxpayers will be eligible for 5 or 12.5 percent penalties in certain narrow circumstances.

Participants also must pay back-taxes and interest for up to eight years as well as paying accuracy-related and/or delinquency penalties. All original and amended tax returns must be filed by the deadline….”

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For more information about this or any other complex tax compliance issue, please contact Hoge Fenton.

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