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## IRS Focuses on Foreign Bank Account Holders Again

After the first amnesty period offered by the IRS for holders of foreign bank accounts ended in October last year, the IRS Commissioner Doug Shulman has announced that the agency is mulling another voluntary disclosure program. The amnesty program is for those who have avoided taxes by stashing their assets in overseas bank accounts to come clean and declare them. The first amnesty period drew a response from about 15,000 taxpayers. Closed cases among these 15,000 taxpayers have yielded an average payment of \$200,000 in taxes including interests and penalties.

However, the terms of the new amnesty program is not expected to be as lenient as the first one. There are rumors that the penalties under the new program could be as high as 50% of the account value annually. Some tax lawyers are of the opinion that this high rate could be a deterrent to people coming forward voluntarily.

Following the success of the IRS in getting details on thousands of names of account holders in Swiss bank UBS, the IRS is now targeting other banks. Several taxpayers have reported receiving letters from the Department of Justice that they are the subject of criminal investigations related to their

accounts in HSBC Bank, India. Likewise, some taxpayers have reported that Bank Leumi in Israel has issued warnings to their account holders to comply with the IRS reporting requirements or risk having their accounts closed.

Voluntary disclosure is a matter of contacting an IRS office to avoid criminal prosecution. But the IRS has not officially stated what the penalties will be in the next voluntary disclosure program. Tax attorneys say that a steep penalty would be counter-productive and discourage taxpayers from coming forward.

Even if you are not the bank account holder of a foreign bank account but you have the power of attorney for a foreign account, or you have the authority to pick up the phone to send somebody money from a foreign account, you must file with the IRS. Also you must file if you have an interest in foreign entities, such as a trust or corporation.

In the meantime, the IRS has renamed its large corporate division as the 'Large Business and International Division'. This is seen as a step towards a further crackdown on foreign banks that help American taxpayers avoid taxes with their bank accounts.