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New Offshore Voluntary Disclosure Program Coming Soon

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The [IRS](#) today reiterated that it will soon announce a second Voluntary Offshore Compliance Initiative (OVCI). The OVCI will likely be more rigorous than the program that ended October 15, 2009. That program required a taxpayer to file six years of [Foreign Bank Account Reports](#) (FBAR's) and file amended tax returns to report previously unreported income and pay the tax, interest and civil penalty. The OVCI also imposed an FBAR penalty of 20% of the highest single year account balance, rather than 20% per year. The maximum statutory penalties according to the [IRS](#) was an aggregate 240% if the taxpayer did not take advantage of the OVCI and were to subsequently be discovered. The 240% was exclusive of criminal penalties.

The new initiative follows the filing of almost 17,000 Voluntary disclosures under the first OVCI. Most of the 17000 were from UBS account holders, although not all.

The purpose of the second OVCI is to motivate those taxpayers, including dual nationals who are U.S. expats to file and initiate compliance.

The new program will clearly benefit those who now know that they should have been filing FBAR's and checking "yes" to the questions on Schedule B on Form 1040 on the questions regarding offshore accounts. It should not be clear that with the additions of new compliance and reporting provisions to the Internal Revenue Code, it will be easier for the [IRS](#) to find taxpayers who maintain foreign financial accounts and do not properly report.

IRC sections 6038D,6048 which go into effect soon require disclosure of foreign assets held directly and indirectly. New sections 1471-1474 will require foreign financial institutions to report account information on U.S. persons directly to the [IRS](#). is the time for all U.S. taxpayers who have foreign financial accounts to begin preparations to take advantage of the next OVCI when it is announced.

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