



IRS Goes Easy on Foreign Account Holders

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The IRS has decided to relax the requirements on Americans who hold assets in foreign accounts, albeit slightly. For years, those who have accounts in foreign banks and other financial institutions worth more than \$10,000 were required to fill in the Foreign Bank Account Report (FBAR) but a new push by Congress to get the IRS to stem tax evasion has seen the government agency come down hard on such taxpayers. Willful failure to submit or misrepresentation in the FBAR form entails a \$100,000 fine or half the value of the account per year. Non-willful compliance with this regulation results in a \$10,000 annual fine. Both these situations take no account of the amount of the infringements.

The IRS initiative clearly worked because last year, about 550,000 American taxpayers filled up the FBAR, a number that reflected a substantial increase of about 60% from the year before.

Last year's IRS campaign aimed at thousands of Americans with foreign bank accounts kicked up a lot of fuss from many quarters. A diplomatic row almost erupted between the US and Swiss governments over the IRS demands that UBS bank of Switzerland reveal details of their US account holders suspected by the IRS of tax evasion. In the end, the Swiss bank relented and revealed the identities of thousands of their American depositors.

In a move that further emancipated the situation, last summer some IRS officials went on to expand the limits of the FBAR requirement to include foreigners doing business in America and US investors who had interests in non-traditional deposit taking institutions like hedge funds and private equity funds. In a contrary but welcomed move last week, the officials from the US Treasury issued guidelines that absolved these investors from having to meet the requirement of filling up the FBAR forms, at least for this year.

However, other foreign account holders having foreign financial interests must still comply with the regulation. These include those with ownership or control in a foreign bank or brokerage account, those with offshore annuities or offshore insurance policies that accrue cash value (owned directly or through a trust), those who invest in foreign mutual funds and those who own or control foreign companies with offshore accounts

Even the filing process is not very straightforward. The FBAR filing deadline is June 30 not April 15, the normal tax filing deadline. No extensions for the deadline will be entertained. FBAR forms may be dropped off at any IRS office or mailed to a special address in Detroit.

Most people would like to have the deadlines the same as for normal tax filings, but the decision to alter this rests with the US Congress, not the IRS.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.