

IRS Amnesty Program for Foreign Reporting

Integra International, Global Update Newsletter, Issue 3, November 2011
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The IRS announced that it had received about 12,000 applications for the 2011 voluntary disclosure program of offshore bank accounts. Adding this to the 2009 similar Amnesty program takes to total disclosures to about 30,000. The IRS indicated that they collected \$2.2 billion from the 2009 program and about \$.5 billion from the 2011 program. About 80% of the disclosures from 2009 have been closed and it will take a few years to clear the remainder plus process the 2011 disclosures.

For those of you who regularly read the Wall Street Journal then you most likely see a clear link between the Lichtenstein bank employee who sold client lists to many European Revenue departments as well as the IRS. More recently, UBS disclosed many US resident individual's names to the IRS under threat of indictment. As both disclosures played out in slow motion, individuals who thought that they might be on the disclosed lists rushed to comply and make their required disclosures. Since the IRS has sworn to criminally charge anyone they caught that had not reported or participated in the Voluntary Disclosure.

Unless you read the very fine print in the IRS releases then you likely didn't realize that these voluntary disclosures also covered late filing penalties on almost all other specialized foreign reporting such as Form 5471 (Foreign Corporations), Form 926 (Transfers to foreign corporation), Form 8865 (Foreign partnerships), Form 8858 (Foreign Disregarded entity). All of these are information reporting Forms that very few people are aware of but they also carry penalties of \$10,000 per Form per year for non filing. Clients sometimes don't even mention they have entities that are foreign and so no filings have been made. Generally discovery comes well after the fact, leaving the client with substantial penalty exposure. We used this second voluntary disclosure to file late Foreign Bank Account Reporting (FBAR) and to file late information reporting, as listed above.

An interesting side note, politicians have been saying for some time that there was hundreds of Billions of dollars of unreported income held offshore by US taxpayers. The \$2.7 that they have collected in 2009 to 2011 is impressive but nowhere near what the Polls have been claiming over the years. There may still be some more unreported accounts but I suspect they have the Lion's share. On to the next pipe dream.