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Offshore Tax Penalties may be Lowered

The latest IRS amnesty program that gives you the chance to declare your previously undeclared offshore assets to the IRS is on now through August 31. But this latest IRS program is less tolerant of the fact that it would take time to get records from offshore financial institutions, so don't delay participating in the program if it applies to you. Furthermore, if you need the assistance of a tax attorney you should arrange for it now as we are in the midst of tax season when it is hard to engage the services of tax attorneys. Call us at (813) 229 7100 for a free consultation.

If you have funds in excess of \$10,000 in a foreign bank account, you are obligated to fill up a Report on Foreign Bank Account (FBAR). If you have not submitted your FBAR, the amnesty program called the Offshore Voluntary Disclosure Initiative (OVDI) is for you. But the 2011 OVDI imposes a higher penalty than the previous IRS amnesty program for foreign account holders that was held in 2009. This time, you would have to pay a penalty of 25% on the amount in your bank account on the year with the highest total balance between 2003 and 2010. It's either you participate in the OVDI and pay the penalty or if you are caught by the IRS, you face criminal charges for tax evasion. My advice is to participate and

pay up.

However, foreign account holders may qualify for lower penalties under specific circumstances. If you didn't open your foreign account or you inherited it, and even if you are a foreign resident who is unaware you are a US citizen, you may qualify for penalties as low as 5%. Check out this IRS webpage that explains the voluntary disclosure process via questions and answers at

www.irs.gov/businesses/international/article/0,,id=235699,00.html?portlet=7.

In another development, Congress has decided to offer an option for heirs of those who died in 2010 to pay estate taxes for that year and get a potential break on certain capital gains taxes instead of not having to pay for estate taxes as announced earlier. This decision was taken because despite the elimination of estate taxes for 2010, if you sold any inherited property, you could pay more in terms of capital gains tax than you would have paid in estate tax.