

IRS Opens 3rd Offshore Voluntary Disclosure Program

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Taxpayers with unreported offshore accounts or entities now have a third bite at the apple. The IRS has reopened its offshore voluntary disclosure program to allow delinquent reporting with reduced penalty and criminal exposure.

The program is similar to the 2011 program, but there is presently no deadline to apply (unlike prior programs which had a fixed expiration date). However, taxpayers with an interest should not unduly delay, since the IRS has reserved the right to close the program or increase penalties at any time. The new program also has a penalty of 27.5% of the highest aggregate balance in the foreign bank account or entities or the value of the unreported assets during the eight full tax years prior to disclosure. This is up from the 25% that applied in the 2011 program.

Participants must file all original and amended tax returns and include payment for back taxes and interest, as well as paying accuracy-related and/or delinquency penalties. At times it may be beneficial to conduct reporting outside of the program. Consultation with a qualified tax professional is recommended.

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