

Last Chance to Participate in the IRS Offshore Voluntary Disclosure Initiative ("OVDI")

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The IRS recently reminded taxpayers in IR 2011-84 that the 2011 Offshore Voluntary Disclosure Initiative (OVDI) will expire on August 31, 2011. The IRS stated its position in IR 2011-84:

"U.S. taxpayers hiding income in undisclosed offshore accounts are running out of time to take advantage of a soon-to-expire opportunity to come forward and get their taxes current with the Internal Revenue Service. Taxpayers who come forward voluntarily get a better deal than those who wait for the IRS to find their undisclosed accounts and income. New foreign account reporting requirements are being phased in over the next few years, making it ever tougher to hide income offshore. As importantly, the IRS continues its focus on banks and bankers worldwide that assist U.S. taxpayers with hiding assets overseas."

IRS Commissioner Doug Shulman stated that "The time has come to get back into compliance with the U.S. tax system, because the risks of hiding money offshore keeps going up. Our goal is to get people back into the system. The second voluntary initiative gives people a fair way to resolve their tax problems."

The 2011 OVDI was announced on February 8, 2011, and follows the 2009 Offshore Voluntary Disclosure Program (OVDP). The 2011 initiative offers clear benefits to encourage taxpayers to come forward rather than risk detection by the IRS. Taxpayers holding assets offshore who do not come forward will face far higher penalties along with potential criminal charges. For the 2011 initiative, there is a new penalty framework that requires individuals to pay a penalty of 25

percent of the amount in the foreign bank accounts in the year with the highest aggregate account balance covering the 2003 to 2010 time period. Some taxpayers will be eligible for 5 or 12.5 percent penalties in certain narrow circumstances.

Participants also must pay back-taxes and interest for up to eight years as well as paying accuracy-related and/or delinquency penalties. All original and amended tax returns must be filed by the deadline.