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article

# IRS Announces New Offshore Voluntary Disclosure Program

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The IRS announced on February 8, that it is once again offering a settlement program to entice U.S. taxpayers that have unreported foreign income from offshore accounts to “come in from the cold” and become current with their U.S. tax obligations. Participants voluntarily disclosing foreign assets and income face a steep penalty, but avoid the threat of criminal prosecution.

The IRS offered a similar program in 2009, expecting to get about 1,000 applicants. By the time that program was closed, about 15,000 had applied. Since that program was closed, over 3,000 taxpayers have voluntarily disclosed hidden offshore accounts and income.

The penalty structure of the new program is higher than the 2009 program, as the IRS does not want to reward tax evaders for waiting. The goal, according to IRS Commissioner Doug Shulman, is to “get people back into the U.S. tax system” giving them “a tough, fair way to resolve their tax problems once and for all.”

The program requires the disclosing taxpayers to file amended returns to pay back taxes and interest for years 2003 through 2010 (as applicable) as well as accuracy-related penalties and penalties for failure to file and/or pay. In addition, there is a separate penalty of 25% (or in some cases, 12.5% or 5%) of the highest aggregate balance in the undisclosed accounts during the disclosure period. These penalties are significant, but are much less than the penalties that could potentially be assessed if the IRS discovers the undisclosed accounts on its own – to say nothing of potential prison time.

With its well-publicized success in getting Swiss banking giant UBS AG to turn over the details on over 4,000 suspected accounts in 2009, the IRS continues to treat international tax evasion as a top priority. According to Shulman, “The situation will just get worse in the months ahead for those hiding assets and income offshore. This new disclosure initiative is the last, best chance for people to get back into the system.”

If you or someone you know is in this situation, it might be worthwhile to consider participating in the new 2011 Offshore Voluntary Disclosure Initiative.

**To learn more about the 2011 Offshore Voluntary Disclosure Initiative contact your Boulay advisor at 952-893-9320 or [learnmore@bhz.com](mailto:learnmore@bhz.com).**

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