

US Taxpayers & Offshore Accounts Tax Reporting Summary

U.S. Taxpayers are required to report offshore accounts:

1. IRS/Form 1040 (Schedule B) – Disclose Foreign Account
2. Include income on Form 1040 (Foreign Account)
3. File TD F 90-22.1 Report of Foreign Bank and Financial Account (“FBAR”) (By 6/30 each year) separate filing – Annual FBAR filing required:

Each U.S. person with a financial interest in, signature or other authority over any foreign financial accounts with an aggregate value exceeding \$10,000 at any time during the calendar year.

U.S. Taxpayers who hide income in undisclosed offshore accounts: face 24 years in jail:

1. May be subject to 3 felonies and a misdemeanor (up to 14 years in jail)
2. Commit perjury by filing a false tax return (Form 1040 schedule B)
3. Do not disclose foreign bank and financial accounts (over \$10,000) are subject to additional felony (up to 10 years in jail) and subject to annual civil penalty greater of \$100,000 or 50% of account balance (i.e., in 2 years account “wiped out” by 100% penalty)

U.S. Taxpayers with unreported income may be subject to jeopardy assessments – (i.e., IRS pre-audit seizure of assets)

Felonies

1. IRC §7201 Tax Evasion
(Willful evasion of tax)
Felony up to 5 years in jail
2. IRC §7212 – Obstruct Tax Collection
Felony up to 3 years in jail
3. 18 U.S.C. 371 – Conspiracy to Impede Tax Collection
Felony up to 5 years in jail
4. Failure to file “FBAR”: Felony up to 10 years in jail

Misdemeanors

1. IRC §7203 Failure to File Tax Return
up to 1 year in jail

Penalties (up to 100%)

1. Civil Tax Fraud: 75% of Tax Due
IRC §6651(f): Fraudulent failure to file tax return
IRC §6663(a): Fraudulent tax return filed –
 2. Failure to Pay Tax: 25% of Tax Due
IRC §6651(a)(2): Tax Shown on Return
IRC §6651(a)(3): Tax Not Shown on Return –
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