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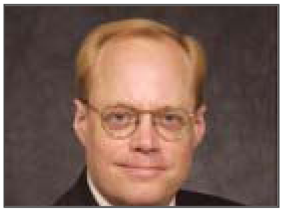

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Despite Offshore Haul, IRS Hunts Quiet Disclosures, First Time FBARs

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The latest report from a government watchdog agency called the Government Accountability Office (GAO) may not be pleasure reading, but if you want to know how well the IRS attack on offshore tax evasion is coming, it is worth a look. Besides, the GAO makes ***recommendations*** to the IRS, and the IRS pays attention. Those recommendations could put some taxpayers in trouble or maybe even prison.

So-called “quiet disclosures” are evidently rampant. Taxpayers quietly amend past tax tax returns and FBARs to avoid the Offshore Voluntary Disclosure penalties. See “Quiet” Foreign Account Disclosure Not Enough. Billions of dollars are at stake. As the IRS ramps up its new hunt, some with foreign accounts might alter their intended course of action.

The GAO report, Offshore Tax Evasion: IRS Has Collected Billions of Dollars, but May be Missing Continued Evasion, starts with key findings:

- 39,000 disclosures to the IRS scooped up $5.5 billion in taxes and penalties.
- The median foreign account balance (of 10,000 cases from the 2009 OVDP) was $570,000.
- 6% paid IRS penalties over $1 million. More than half involved UBS.

Quiet Storm. But the GAO says the IRS ***knows*** there are ***many*** quiet disclosures. The GAO analyzed 2003-2008 amended tax returns, matched them to offshore accounts and found ***even more quiet disclosures than the IRS***. First time reporters of offshore accounts skyrocketed. The IRS is missing out on many. Find them, says the GAO.

Reports of foreign accounts nearly doubled to 516,000 from 2007-2010. If 39,000 people applied for IRS amnesty, what about the hundreds of thousands who didn't? Many people don't participate and make "quiet disclosures" by amending returns or just reporting prospectively. And that means several tens of billions of dollars.

Among other things, GAO says the IRS should:

- Explore options to more effectively detect and pursue quiet disclosures; and
- Analyze first-time offshore account reporting trends to catch people trying to avoid paying what they owe.

In fact, GAO says the IRS should identify, ferret out and pursue quiet disclosures. While the IRS is free to take action however it wants, GAO says it should look at Schedule B and see if the "I have a foreign account" box has been checked. If it wasn't checked the prior year? Check it out!

The same with new FBARs. Why didn't you file an FBAR last year, sir? Just when was that account opened anyhow? See FBAR Penalties: When Will IRS Let You Off With A Warning?

As for the IRS, it quickly agreed with all of the GAO's recommendations. That means we should expect a wave of audits, investigations, and action. How many and how serious they will be is anyone's guess.

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