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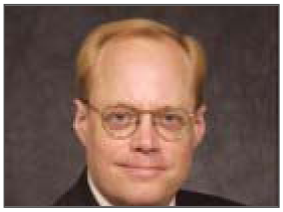

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Florida Widow Guilty + $21M Penalty For Inherited Swiss + Liechtenstein Accounts

It's no secret the IRS is taking a hard line on undisclosed foreign bank accounts. An IRS voluntary disclosure can bring accounts into compliance with finite penalties and no criminal prosecution for those who come forward before being discovered. See [FBAR Penalties Just Got Even Worse]. For those who don't participate, the odds of being treated harshly seem to be increasing.

What's harsh? Consider Mary Estelle Curran of Palm Beach, Florida, who pleaded guilty to filing false 2006 and 2007 tax returns. Her husband died in 2000 leaving her Swiss and Liechtenstein accounts which she failed to report from 2001 through 2007. The IRS lost out on approximately $667,716 in taxes. By 2007, the accounts totaled over $42 million.

Her penalty? 50% of the highest balance: $21,666,929, and that's not all. She has not yet been sentenced but faces a potential prison term up to six years. The IRS and DOJ have more and more resources at their disposal and urge taxpayers to address compliance failures before it's too late. See [10 IRS Rules For Stress-Free Foreign Accounts].

Disclosure and finite penalties are vastly better, especially when discovery by the IRS is more and more likely. Merely closing a foreign bank account does not solve disclosure problems. See Is Closing Foreign Bank Accounts An Alternative To Disclosure? Remember these key rules:

Reporting. You ***must*** report worldwide income on your U.S. income tax return. If you have an interest in a foreign bank or financial account you must check "yes" on Schedule B.

FBARs Too. All U.S. persons with foreign bank accounts exceeding $10,000 at any time during the year must file an FBAR by each June 30. See Primer For First Time FBAR Filers.

FATCA Form. You may also need to file an IRS Form 8938 to report your foreign accounts and assets. See IRS Form 8938 Or FBAR? and More On IRS Form 8938 vs. FBAR.

Big Penalties. Failures can be tax evasion and fraud. Plus, the penalty for failing to file an FBAR is $10,000 for each non-willful violation. If willful, the penalty is the greater of $100,000 or 50% of the account balance for ***each*** violation. See Despite FATCA, FBAR Penalties Still Under Fire.

Prison. Tax evasion can carry a prison term up to five years and a fine up to $250,000. Filing a false return can mean up to three years in prison and a fine up to $250,000. Failing to file FBARs can carry penalties up to $500,000 and prison up to ten years. See IRS May Find "Innocent" FBAR Violation Willful.

Voluntary Disclosure. Making a voluntary disclosure involves paying back taxes, interest and finite penalties but avoiding prosecution. See New IRS Offshore Amnesty Announced: Third Time's A Charm.

Robert W. Wood practices law with Wood LLP, in San Francisco. The author of more than 30 books, including Taxation of Damage Awards & Settlement Payments (4th Ed. 2009 with 2012 Supplement, Tax Institute), he can be reached at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.