



Robert W. Wood

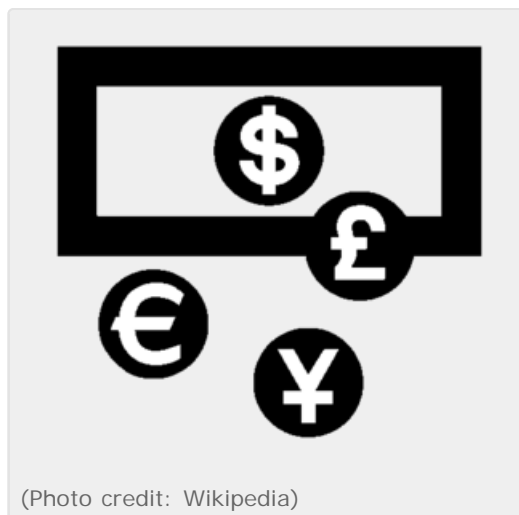
THE TAX LAWYER

Aug. 15 2012 – 10:51 pm

More IRS Foreign Account Guidance Coming

Few people want to read dense tax regulations. Fortunately, these days the IRS is likelier to issue Frequently Asked Questions. They are informal, user-friendly, easy for the IRS to issue, and often more helpful.

For foreign account disclosures, the IRS has a helpful set of FAQs [here](#). They were updated in late June 2012, and even more guidance is expected by September 1st.



New Guidance for Expats. The IRS foreshadowed New Filing Compliance Procedures for Non-Residents. See [IRS Streamlines Foreign Account Amnesty](#). U.S. citizens abroad who haven't filed [FBARs](#) and reported global income may be in luck if they owe less than \$1,500 for tax each year. The coming abbreviated program is better than the IRS Offshore Voluntary Disclosure Program (OVDP). See [New IRS Offshore Amnesty Announced: Third Time's A Charm](#).

Some people who went into the OVDP now may wish they had waited, although it seems likely that transfers from one program to the other may be allowed. See [IRS Streamlines Foreign Account Amnesty](#). Watch for details of the [new IRS procedure](#) by September 1, 2012. See [IR-2012-65](#).

Rather than face the daunting prospect of entering the OVDP and filing 8 years of amended tax returns, 8 [FBARs](#) and paying a 27.5% penalty on their highest foreign account balance, some may only need to file 3 years of amended tax returns and 6 [FBARs](#). More important, they may not face **any** penalties. See [IRS Announces Tax Relief For Dual Citizens And U.S. Citizens Abroad](#).

Which Years? If you don't qualify for the new program, the OVDP is still available and focuses on an 8 year window, usually 2003 through 2010 tax years. For taxpayers who come forward after filing due taxes (with extensions) for 2011, it would include 2004 through 2011 since each disclosure generally includes 8 years. See [Thumbnail Tax Guidance For U.S. Taxpayers Abroad](#).

Still, the 8 years won't include any in which you were compliant with taxes and FBARs. Say you didn't report interest from a foreign account in 2003 through 2008, but started reporting properly in 2009 and 2010. If you come forward to correct it, your disclosure would cover only 2003 through 2008.

FATCA Fears! There's a lot of angst over FATCA. See [More Bad News For FATCA](#). Many fret about how U.S. account holders abroad will be exposed. See [FATCA Makes Banks Shut Out Americans](#). The IRS' latest program may not solve all the problems, but it couldn't come at a better time. Stay tuned.

*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.*