

Scott Michel Comments on New Voluntary Disclosure Guidance From the IRS

06.29.2012

Reuters
Excerpt taken from the article.

NEW YORK - If you have foreign assets - whether or not you live abroad - the deadline to file with the Internal Revenue Service is June 30. But for those who have not filed the forms previously and are trying to come back into the system, some new rules from the IRS are going to help distinguish between true tax cheats and American citizens abroad who feared the massive penalties required by voluntary disclosure amid the recent IRS crackdown.

The IRS announced that it would help U.S. citizens overseas who are considered low compliance risks - including dual citizens (many Canadians), and those with foreign retirement plans - square their tax obligations through the voluntary disclosure program without facing penalties or additional enforcement actions, starting September 1.

To qualify, these people generally will have simple tax returns and owe \$1,500 or less in tax for any of the covered years. IRS Commissioner Doug Shulman called the announcement "a series of common-sense steps to help U.S. citizens get current with their tax obligations and resolve pension issues."

There are between 5 million and 6 million Americans living abroad. The FBAR (Report of Foreign Bank and Financial Accounts) form is required of any U.S. person who has a financial interest or signature authority over foreign financial accounts whose value topped \$10,000 at any time during the calendar year. The forms are complicated, and compliance was so low, that the government started a crackdown in 2009.

Since then, the IRS has brought in more than \$5 billion in back taxes, interest and penalties from 33,000 disclosures made under the first two IRS programs. An additional 1,500 disclosures have been made under the latest program for an unspecified amount. How many more billions of dollars remain to come in - whether through voluntary disclosure or negotiated agreements with foreign banks - is anybody's guess, but it's likely to still be quite high.

Through all of this, America expats and dual citizens have complained about being unfairly lumped in with high-net-worth tax cheats. The new move clearly distinguishes the two groups.

"I think this is a tremendous development," says Scott Michel, president of Caplin & Drysdale in Washington, who focuses on tax controversies and has dealt with hundreds of voluntary disclosures. "What the IRS has done here represents a sound and appropriate exercise of discretion in carving out a very large group of people --American citizens who have lived outside of the U.S. for years and who owe little or no tax."

To read the rest of the article on new IRS rules for disclosure of foreign assets, [click here](#).

Attorneys

Scott D. Michel

Related Practices/Industries

Private Client

Tax Disputes & Tax Litigation

