



TAX ALERT

IRS Announces Second “Amnesty Program” for Taxpayers with Foreign Accounts

On February 8th, the IRS announced a second amnesty program relating to undisclosed foreign accounts.

The special voluntary disclosure initiative is designed to bring hidden offshore financial accounts and assets back into the U.S. tax system and to help those taxpayers with undisclosed foreign accounts get compliant with their U.S. tax obligations. The 2011 Offshore Voluntary Disclosure Initiative (2011 OVDI) is available **only until August 31, 2011**.

This voluntary disclosure initiative follows the 2009 Voluntary Disclosure Program (2009 OVDP), during which 15,000 taxpayers disclosed foreign accounts in more than 60 countries. An additional 3,000 taxpayers have made voluntary disclosures following the end of the 2009 OVDP on October 15, 2009.

The IRS is using the substantial information gathered during the 2009 OVDP and subsequent investigations to pursue taxpayers who continue to hide assets overseas. Holders of undisclosed accounts should not assume that they are not at risk because their financial institution has not been publicly identified as a target.



The 2011 Offshore Voluntary Disclosure Initiative

The 2011 OVDI is similar in structure to the 2009 OVDP, but with slightly higher penalties. Here are the main provisions of the new program:

- Disclosures must be made **before** the IRS is aware of any wrongdoing
- The 2011 OVDI covers **tax years 2003-2010**
- Taxpayers must file all amended tax returns and informational returns by August 31, 2011
- Taxpayers must pay all back taxes, plus penalties and interest, including a one-time Offshore Penalty of **25% of the highest aggregate account balance** during 2003-2010 (some taxpayers will be eligible for a 12.5% or 5% penalty)

The IRS indicated that this program will be the **last, best chance** for individuals to substantially reduce their exposure to significant civil penalties and, in many cases, to eliminate the risk of criminal prosecution. Given the aggressive August 31st deadline, taxpayers looking to take advantage of this opportunity must act quickly.

The Wolf Group served many clients participating under the first amnesty program, and will serve many others under this second program. If you think you have (or had) undisclosed foreign financial accounts or assets, contact Dale Mason at (703) 502-9500 x120 or dmason@thewolfgroup.com as soon as possible to discuss the matter.

Sincerely,

The Wolf Group