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Voluntary Disclosure Take Two

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The Internal Revenue Service (IRS) recently announced a new voluntarily disclosure program allowing taxpayers to report previously unreported offshore accounts and entities at reduced penalties. The program generally provides for exemption from criminal prosecution and a significant reduction in civil penalty exposure for U.S. taxpayers who participate in the program. To participate, taxpayers must complete all requirements on or before August 31, 2011.

Under the new program, entitled the 2011 Offshore Voluntary Disclosure Initiative (2011 OVDI), taxpayers must file amended tax and information returns, Report of Foreign Bank and Financial Accounts (FBAR). Qualifying taxpayers must pay (i) all taxes and interest due from 2003 to 2010, (ii) either an accuracy or delinquency penalty for each year on the amount of additional tax due; and (iii) a penalty equal to 25% of the amount in the foreign bank accounts in the year with the highest aggregate account balance. A reduced penalty of 12.5% may apply for taxpayers whose offshore accounts did not exceed \$75,000 in any calendar year, or to as low as 5% in a certain limited cases.

As with the prior voluntary disclosure program (ended in October 2009), the 2011 OVDI is designed to bring offshore money back into the US tax system and help individuals with undisclosed income from hidden offshore financial accounts get current with their taxes. This program allows individuals with previously unreported foreign financial accounts to significantly reduce their exposure to substantial civil tax penalties and, in some cases, to eliminate the potential of criminal prosecution.

Taxpayers participating in the new initiative must file all original and amended tax returns and include payment for taxes, interest and accuracy-related penalties by the deadline.

If you are interest in participating in the program or require additional information, please contact [Brian Rowbotham](#) or [Peter Trieu](#).

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