

## Taxpayers Must File FBARs By June 30, 2015

### IRS May Take Action Against Taxpayers With Undisclosed Accounts

Most U.S. taxpayers with foreign accounts now know that the due date for their 2014 Report of Foreign Bank and Financial Accounts ([FBAR](#)) is June 30, 2015. The 2014 FBAR should report ownership of (or signature authority over) foreign accounts with an aggregate value of more than \$10,000 at any time during the 2014 calendar year. The FBAR, now filed on the FinCEN Report 114, must be submitted electronically through the [BSA E-Filing System](#) website by June 30, 2015.

Taxpayers with foreign accounts or assets who hope to avoid the FBAR reporting requirement should know that the IRS continues to release information showing an increased focus on enforcing the international reporting rules. In fact, with the FBAR filing deadline approaching, the IRS has released a memorandum entitled: [Interim Guidance for Report of Foreign Bank and Financial Accounts \(FBAR\) Penalties](#). This memorandum, dated May 13, 2015, is intended to supplement the [Internal Revenue Manual](#), which provides guidance to agents in the field as they enforce FBAR compliance.

The newly released interim guidance provides additional information for agents to ensure consistency and effectiveness in the administration of FBAR penalties. In particular, the memorandum provides guidance for agents and taxpayers alike showing how the IRS calculates the FBAR penalties (generally 50% of the value of an account) where multiple years are under examination and FBAR violations were willful. The new guidance is also consistent with the IRS' repeated [announcements](#) that it is searching for and penalizing taxpayers who fail to disclose offshore accounts.

Of course, the June 30, 2015 deadline for filing the FBAR is really only one of many reporting obligations for U.S. taxpayers with foreign accounts, assets, or other interests. Since 2011, a taxpayer who files an FBAR must also generally file a [Form 8938 Statement of Specified Foreign Financial Assets](#), although the reporting requirements begin at [higher financial thresholds](#). Similarly, taxpayers with certain interests in foreign corporations must file the [Form 5471](#) and taxpayers with certain interests in foreign trusts must file the [Form 3520](#). A failure to file any one of these forms can create reporting issues and, with the IRS's increased focus on foreign reporting compliance, serious



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penalties.

For taxpayers who have failed to report offshore accounts or other foreign interests to the IRS, hope still exists. The IRS offers voluntary disclosure programs that allow taxpayers to resolve their prior reporting issues. Taxpayers may apply to the traditional [Offshore Voluntary Disclosure Program](#) or the Streamlined Disclosure Programs which may [reduce](#) or [even eliminate](#) penalties, provided the taxpayers' reporting violations were not willful. Because navigating the voluntary programs can be a complex process, taxpayers should consult knowledgeable tax counsel when considering how to resolve their offshore tax issues.

Domestic and international U.S. taxpayers with international reporting compliance concerns should contact the [Tax Practice Group](#) at Hanson Bridgett LLP.

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