

Delinquent Filers Despair: IRS's Dirty Dozen List Demonstrates Ongoing Dangers

The IRS [announced](#) its 2017 annual "Dirty Dozen" list of Tax Scams on February 17, 2017. Finding individuals who are hiding accounts and assets offshore to avoid taxes continues to make the list, indicating this is one of the IRS's highest priorities. The IRS's continued focus of foreign reporting delinquencies will come as no surprise to those who have been paying attention; the IRS has [repeatedly announced](#) that it intends to devote vast amounts of time and resources to finding and penalizing individuals who have failed to disclose offshore accounts and assets.

What's New in 2017

[According to](#) IRS Commissioner John Koskinen, "Offshore compliance remains a top priority. We've collected \$10 billion in back taxes in recent years with 100,000 taxpayers making use of our voluntary disclosure programs." In [2016](#) alone an additional 1,800 voluntary disclosures were filed with the IRS, amounting to a collection of over \$1.9 billion dollars.

Voluntary Disclosure Programs: A Way Out

The IRS provides taxpayers with a number of avenues to come into compliance before their reporting delinquencies are detected. In 2009 the IRS first offered the [Offshore Voluntary Disclosure Program](#) ("OVDP") as a means for taxpayers to avoid criminal penalties and secure fixed terms when resolving civil liabilities. For those currently participating in the OVDP, there is a 27.5% penalty on the highest aggregate balance of their undisclosed accounts. Additionally, participating individuals must file amended tax returns (including Forms 3520, 5471, and 8938), delinquent FBARs, and pay taxes on undisclosed income for the previous eight years.

In 2014, the IRS announced new [Streamlined Disclosure Programs](#) for any taxpayer whose failure to report foreign assets and accounts was [nonwillful](#). Under these programs, taxpayers are only required to file three years of amended tax returns and six years of FBARs. Domestic taxpayers face a reduced penalty of 5% of the highest aggregate balance of their undisclosed accounts, while U.S. taxpayers living abroad are not subject to penalties at all. The streamlined programs are clearly more



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appealing in most cases. However, the IRS is now auditing streamlined submissions to ensure that taxpayers are reporting delinquencies that were truly nonwillful.

Advice and Counsel

The 2017 "Dirty Dozen" list shows that foreign account and asset information reporting remains an area of interest for the IRS. Taxpayers who have not disclosed their foreign accounts or assets continue to be at risk of civil and possibly criminal penalties. Attorneys at Hanson Bridgett have far-reaching experience helping taxpayers with undisclosed foreign assets and accounts come into compliance under the voluntary disclosure programs.

Taxpayers with questions about the IRS's voluntary disclosure programs are encouraged to contact Christopher Karachale at CKarachale@hansonbridgett.com and Kaitlyn Gardner at KGardner@hansonbridgett.com.

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