



7235 N. Western
Chicago, IL, 60645
T. 773.262.0470/F.773.262.4457
Info@wisecpagroup.com

New Streamlined Program for Overseas Taxpayers

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The IRS rolled out a new streamlined program on June 18, 2014 for domestic and overseas taxpayers to become compliant in their reporting of their foreign financial assets and pay all tax due, if any, in respect to non-willful conduct. The new streamlined program differs from the initial one offered on September 1, 2012 in that it was expanded to include (1) U.S. taxpayers residing in the United States, (2) elimination of the \$1,500 tax threshold, and (3) elimination of the risk assessment process associated with the streamlined filing compliance procedure announced in 2012.

Taxpayers using either the Streamlined Foreign Offshore Procedures or the Streamlined Domestic Offshore Procedures will be required to certify that the failure to report all income, pay all tax, and submit all required information returns, including FBARs, was due to non-willful conduct.

If the IRS has initiated a civil examination of a taxpayer's returns for any taxable year, regardless of whether the examination relates to undisclosed foreign financial assets, the taxpayer will not be eligible to use the streamlined procedures. Taxpayers under examination may consult with their agent. Similarly, a taxpayer under criminal investigation by IRS Criminal Investigation is also ineligible to use the streamlined procedures.

Once a taxpayer makes a submission under either the Streamlined Foreign Offshore Procedures or the Streamlined Domestic Offshore Procedures, the taxpayer may not participate in OVDP. Similarly, a taxpayer who submits an OVDP voluntary disclosure letter pursuant to OVDP FAQ 24 on or after July 1, 2014, is not eligible to participate in the streamlined procedures.

U.S. Taxpayers Residing Outside the United States

Individual U.S. citizens or lawful permanent residents, or estates of U.S. citizens or lawful permanent residents, meet the applicable non-residency requirement if, **in any one or more of the most recent three years for which the U.S. tax return due date** (or properly applied for extended due date) has passed, the individual did not have a U.S. abode and the individual was physically outside the United States for at least 330 full days.

Filing Back Taxes and FBAR Reports

U.S. taxpayers eligible to use the Streamlined Foreign Offshore **Procedures must (1) for each of the most recent 3 years for which the U.S. tax return due date (or properly applied for extended due date) has passed, file delinquent or amended tax returns, together with all required information returns and (2) for each of the most recent 6 years for which the FBAR due date has passed, file any delinquent FBARs.** The full amount of the tax and interest due in connection with these filings must be remitted with the delinquent or amended returns. A taxpayer who is eligible to use these Streamlined Foreign Offshore Procedures and who complies with all of the instructions outlined below ***will not*** be subject to failure-to-file and failure-to-pay penalties, accuracy-related penalties, information return penalties, or FBAR penalties.

If you would like to discuss this or any other U.S. tax or accounting matter, please feel free to call Gabriel at 773.269.6513 or email Gabriel.wise@wisecpagroup.com.

We look forward to hearing from you.

Gabriel Wise, CPA MST