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## Foreign filing failure may result in large IRS penalty

By Sharon Brune

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Are you subject to IRS penalties of \$10,000 or more – and don't even know it?



Do you have a foreign bank account or other foreign asset? If you neglected to properly report such accounts or investments, you may be liable for civil and criminal penalties that start at \$10,000, even if you don't owe any taxes on that foreign money.

There is a laundry list of forms the IRS may require from people who hold foreign bank accounts or other assets. Chief among them is the FinCEN Form 114, colloquially known as the FBAR (Report of Foreign Bank and Financial Accounts). It has a fairly low threshold for reporting and requires not only direct account holders to report but also requires reporting by those with signature authority over foreign accounts and majority owners of business entities with foreign accounts, among others.

In short, you might think your account is too small or your connection to a foreign asset is too minimal to require reporting, but you may well be wrong.

Bank accounts aren't the only assets that need to be reported. Various other forms address reporting investments in foreign businesses, receipt of bequests from foreign persons, ownership of foreign rental property, loans to a foreign party, to name but a few.

Individuals aren't the only ones required to file these reports. Some forms require business entities, trusts or estates to file as well, if there are involvements with foreign assets.

New for forms filed in 2017 is a change in the due date. Formerly required to be received by the U.S. Department of the Treasury by June 30, the revised receipt date is now April 15 with an automatic extension allowed to Oct. 15.

Hopefully no one will be shocked to learn that income from *all* sources, including foreign, is required to be reported on a tax return filed by a U.S. person or entity.

If you have overlooked filing any foreign reporting informational forms, getting "right" with the IRS will be less complicated if any income associated with foreign holdings was properly reported. The IRS is trying to encourage compliance, knowing that in many cases people were truly unaware of the requirements. There are disclosure programs and approaches that can allow you to get caught up and may mitigate some of the possible penalties associated with non-filing.

Note that there is no statute of limitations when it comes to forms that were not filed. The IRS can come looking for you well beyond the typical three-years statute of limitations normally associated with a routine Form 1040.

Burying your head in the sand and procrastinating will not make this problem go away. Better to get professional advice and take all necessary steps to comply with IRS requirements.

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