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IRS Will End Offshore Voluntary Disclosure Program in September 2018

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Originally started in 2009, the Offshore Voluntary Disclosure Program (“OVDP”) has provided an avenue for U.S. taxpayers with previously undisclosed income from foreign sources or undisclosed foreign assets to become compliant with U.S. tax law.

I. A Very Successful Program

Since the OVDP’s initial launch, more than 56,000 taxpayers have used one of the programs to comply voluntarily. Those taxpayers paid a total of \$11.1 billion in back taxes, interest, and penalties. The planned end of the current OVDP also reflects advances in third-party reporting and increased awareness of U.S. taxpayers of their offshore tax and reporting obligations.

The number of taxpayer disclosures under the OVDP peaked in 2011, when about 18,000 people came forward. The number steadily declined through the years, falling to only 600 disclosures in 2017.

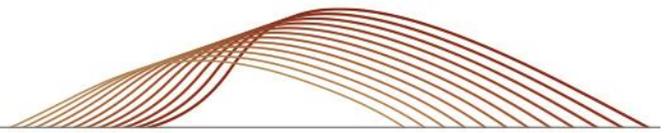
The program officially closes on September 28, 2018. By alerting taxpayers now, the IRS intends that any U.S. taxpayers with undisclosed foreign financial assets have time to use the OVDP before the program closes.

II. Streamlined Procedures and Other Options

A separate program, the Streamlined Filing Compliance Procedures, is still available for taxpayers whose non-compliance with U.S. tax and reporting obligations could be considered “non-willful.”

To date, the Streamlined Filing Compliance Procedures have helped about 65,000 additional taxpayers come into compliance. The program will remain in place and available to eligible taxpayers, although the IRS has said it may end the Streamlined Filing Compliance Procedures at some point.

The implementation of the Foreign Account Tax Compliance Act (“FATCA”), and the ongoing efforts of the IRS and the Department of Justice, to ensure compliance by those with U.S. tax obligations have raised awareness of U.S. tax and information reporting obligations with respect to undisclosed foreign financial assets.



Because the circumstances of taxpayers with foreign financial assets vary widely, the IRS will continue offering the following options for addressing previous failures to comply with U.S. tax and information return obligations with respect to those assets:

- IRS-Criminal Investigation Voluntary Disclosure Program;
- Streamlined Filing Compliance Procedures;
- Delinquent FBAR submission procedures; and
- Delinquent international information return submission procedures.

III. Takeaway

If you have U.S. clients with unreported foreign assets or income, now is the time for those clients to evaluate their options to become compliant with U.S. tax and reporting laws.

If you have unreported foreign assets or income, now is the time to act before U.S. tax and reporting compliance procedures become much more difficult.



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