



February 7, 2012

Details of Newest IRS Voluntary Offshore Disclosure Program

After collecting more than \$4.4 billion in tax revenue from the first two voluntary offshore disclosure programs (VODP) in 2009 and 2011, the IRS has launched its third and latest disclosure program aimed at getting more taxpayers with offshore accounts to declare their assets therein. One prominent difference between the current VODP is that this newest one is going to be open indefinitely. The present VODP is similar to the ones held before with these following points:

1. **Subject to change** While there is officially no deadline at this point, this does not give you the liberty to be lackadaisical about declaring your offshore taxable assets. The IRS said the indefinite status of the VODP may be changed at any time, as may the penalties under the VODP.
2. **Inclusivity** If you have stepped forward to declare your taxable income since the close of the second VODP, you will be granted the same terms as the third VODP. This inclusive move was also done for those who confessed to their tax evasion between the first and second VODPs.
3. **Increased penalty** To be fair to those who declared their assets in the earlier two VODPs, the penalty under this current one is increased to 27.5% of the highest total balance in your offshore bank accounts or value of your total foreign assets during eight years before your disclosure. The penalty rate for 2009 was 20% while that in 2011 was 25%.
4. **Smaller offshore accounts rates** Those holding smaller offshore accounts (under \$75,000 in any calendar year covered by the new VODP) will pay penalties of 12.5%. This rate is unchanged from the previous disclosure program. As under the prior programs, if you feel the penalty is disproportionate, you may opt instead to be examined.
5. **Completion of returns and FBARs** As with previous VODPs, those participating in this one will have to submit their tax returns and FBARs, pay up all back taxes and interest for up to eight years as well as pay accuracy-related and/or delinquency penalties.

6. Option to opt out You can declare your offshore assets without participating in the VODP. This means the IRS will deal with your case as an audit item. The plus side to this is that you have more options for appeal recourse (such as filing an appeal in the IRS Appeals Office) if you are not happy with the way things go. The IRS will provide a list of Frequently Asked Question on the newest VODP to provide details on the program.