

ALERT - New Tax Amnesty

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You have until August 31, 2011 to declare any bank accounts opened in France or abroad to the U.S. government. After that date, those who have not declared their accounts may incur civil and criminal penalties.

U.S. citizens and permanent residents must report to the IRS any bank account abroad whose value exceeds \$10,000 on any given day, even if those investments do not generate revenue. The time limits have been increased by two years from six to eight years. Civil penalties are also increased from 20% to 25% on the amount of assets not reported.

The following are considered investments and accounts abroad:

- Bank Accounts
- Portfolios of action and other financial investments
- Life Insurance policies
- Retirement Accounts
- Trusts and other entities

On 8 February 2011, the IRS announced a special initiative – a tax amnesty allowing citizens and permanent residents to update the status of their foreign

holdings. If past due reportings are sent to the IRS by 31 August 2011, the IRS promises to act nicely, forgo criminal penalties and reduce civil ones.

A first such initiative ended on 15 October 2009. The IRS would have received 15,000 voluntary reports on time and approximately 3,000 spontaneous reports were submitted after the deadline.

These initiatives offer those who hold unreported accounts abroad a certainty as to how their case will be handled. Those who come forward voluntarily will avoid criminal prosecution. As the IRS is increasing efforts to control tax evasion particularly in relation to support for international terrorism, the risk of detection for those who do not report those accounts will only increase.

The 2011 initiative offers incentives to encourage individuals to report their accounts abroad rather than risk detection by the IRS. **Individuals who did not report their investments and offshore accounts before the deadline of August 31, 2011 will incur higher**

civil penalties and the possibility of criminal prosecution.

The following examples are illustrative of the penalties that may apply for those who do not participate in the initiative by August 31, 2011:

- The civil penalty for willfully failing to make a foreign account declaration can amount up to 50% of the full value of account abroad.
- A person may be subject to imprisonment up to ten years and fines up to \$500,000.