

## Tax Advice and Controversy Client Service Group

To: Our Clients and Friends

February 2011

### IRS Announces New Off-Shore Voluntary Disclosure Program with August 31, 2011 Deadline

On February 8, 2011 the Internal Revenue Service ("IRS") announced a special voluntary disclosure initiative ("VDP") designed to bring offshore money back into the U.S. tax system and to help people with undisclosed income from hidden offshore accounts become current with their taxes. The VDP will be available through Aug. 31, 2011 and taxpayers participating in the VDP must file all original and amended tax returns and include payment for taxes, interest and accuracy-related penalties by the Aug. 31 deadline.

Under the VDP, participants with undisclosed foreign accounts or unreported foreign income may be able to avoid criminal prosecution and limit their potential exposure to civil penalties by making a voluntary disclosure of such undisclosed accounts or unreported income to the IRS. Such persons generally will be required to (i) file delinquent foreign bank account reports ("FBARs") and amended returns for an 8 year period (such as tax years 2003 through 2010), (ii) pay the tax and interest due in connection with such amended returns along with a 20% accuracy penalty and delinquency penalties, if applicable, and (iii) a miscellaneous "offshore" penalty equal to 25% (or in limited cases 12.5 or 5%) of the highest aggregate balance in the undeclared foreign accounts during the years 2003 through 2010.

For many taxpayers with undeclared foreign accounts or unreported foreign income, the specified penalty structure under the VDP may be extremely favorable in comparison with the civil penalties that could otherwise be imposed. Each case is different, however, and the advantages and disadvantages of a voluntary disclosure must be carefully analyzed for each taxpayer based upon the individual facts and circumstances.

IRS Commissioner Shulman has sent the following message to non-compliant taxpayers: "We are not letting up on international tax issues, and more is in the works. For those hiding cash or assets offshore, the time to come in is now. The risk of being caught will only increase."

---

To discuss this issue further, please speak to your Bryan Cave contact, or to:

Alan I. Appel, Counsel  
(212) 541-2292  
[aiappel@bryancave.com](mailto:aiappel@bryancave.com)

Dyke M. Arboneaux, Partner  
44-20-3207-1100  
[dyke.arboneaux@bryancave.com](mailto:dyke.arboneaux@bryancave.com)

This Client Bulletin is published for the clients and friends of Bryan Cave LLP. Information contained herein is not to be considered as legal advice. This Client Bulletin may be construed as an advertisement or solicitation. © 2011 Bryan Cave LLP. All Rights Reserved.