

ALERT

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February 8, 2011

New Voluntary Disclosure Program for Foreign Accounts/Assets

Dear Clients and Friends,

A new voluntary disclosure program, the 2011 Offshore Voluntary Disclosure Initiative was announced February 8th by the Internal Revenue Service ("IRS") to encourage taxpayers with undisclosed offshore accounts/assets to disclose and report such information to the IRS. The program is open through August 31, 2011. All requirements must be met by this date to participate in the program.

The IRS decision to launch this program follows the success of its initial voluntary disclosure program that ended on October 15, 2009 and resulted in more than 15,000 voluntary disclosures. The terms of the new program, while less generous than the 2009 program, are compelling given the elevated risks of nondisclosure. Noncompliant taxpayers are potentially subject to substantial civil penalties, including fraud and foreign information return penalties, and criminal prosecution.

The features of this new initiative include:

- A new penalty framework that requires taxpayers to pay a penalty of 25 percent of the amounts in foreign bank accounts in the year with the highest aggregate account balance for the years 2003 through 2010. In certain limited cases, taxpayers may qualify for a reduced penalty rate of 5 percent.
- Taxpayers with foreign accounts or foreign assets that did not surpass \$75,000 in any of the applicable years may be eligible for a reduced penalty rate of 12.5 percent.
- Participants must file original and amended tax returns and pay back taxes, interest, and accuracy-related /delinquency penalties for each applicable year by the August 31, 2011 deadline.

Individuals, corporations, partnerships, trusts, and other entities are eligible to participate in the voluntary disclosure program. Please note that eligibility for this program is lost once the IRS initiates an examination of a taxpayer or otherwise obtains a taxpayer's name for non-compliance with the foreign bank account requirements.

If you have any questions about foreign accounts/assets and the voluntary disclosure process, please contact your Green Hasson Janks advisor at (310) 873-1600.

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