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Q: Did the IRS announce a new offshore account disclosure initiative?

A: Yes. On **February 8, 2011**, the IRS announced the 2011 OVDI to continue the flow of taxpayers with offshore accounts coming back into compliance. Taxpayers have until **August 31, 2011**, to file or amend returns and Reports of Foreign Bank and Financial Accounts for 2003-2010, pay all tax, accuracy-related or delinquency penalties and interest due, and pay a miscellaneous penalty equal to a percentage of the highest value of the undisclosed and unreported offshore accounts and income-producing assets between 2003 and 2010. The percentage will be 5%, 12.5% or 25%, based on the relevant facts.

Taxpayers with offshore accounts should carefully consider whether the 2011 OVDI is the best way to come into compliance. For those that engaged in willful conduct and risk criminal prosecution, timely entry into the program avoids prosecution and offers certainty as to the amount due. For those who acted negligently or have little tax due, there may be a better option. Taxpayers with undisclosed offshore accounts should consult with a tax professional before making a final decision.



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