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Clock is ticking for more foreign account holders to seek amnesty

By **Charles Paikert**
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Many U.S. taxpayers with unreported income from hidden offshore accounts have decided to participate in the government's tax amnesty program, which ends tomorrow, according to tax attorneys.

"Many people are coming into the program, even if they may not have tax due, simply out of an abundance of caution," said Caroline Ciraolo, a tax attorney for Rosenberg Martin Greenberg LLP. "We've had lots of calls since late September, many due to the fact that UBS is sending notices to account holders that their information may be turned over to the IRS pursuant to the U.S.-Swiss agreement and subsequent IRS treaty request. "

But, Ms. Ciraolo added, "Some individuals are still refusing to come in, thinking that because their account is not with UBS, or not in Switzerland, that they won't get caught. This is not something we recommend."

Tax attorney Carl Linder, a shareholder at Rothstein Rosenfeldt Adler, also reported "a jump in [offshore] cases" before the amnesty deadline.

However, the majority of his clients are not coming from UBS, which has been at the center of the offshore controversy, but from other banks in Switzerland and around the world, Mr. Linder said.

Despite the increased interest in taking advantage of the deadline, many offshore account holders are still holding out, he said.

"In general, the number [of participants] is lower than we anticipated," Mr. Linder said.

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The Internal Revenue Service's original deadline for the tax amnesty program was Sept. 23.

Taxpayers who don't report income from their offshore accounts by tomorrow's deadline will face "much harsher civil penalties," including steep fines and payments of back taxes for more than one year, than those taxpayers who do voluntarily come forward, the IRS said.

In addition, taxpayers who do not participate in the amnesty program face "possible criminal prosecution," according to the IRS.

Approximately 4,000 taxpayers have applied to the program so far, according to published reports. Taxpayers who come forward will be required to pay any back taxes, plus 20% of the highest amount of their holdings in the last six years.

After tomorrow, the penalty will increase to 50% of assets in offshore accounts.

"The majority of participants will accept the penalty and should be grateful that it is being offered," Ms. Ciraolo said. "There are a significant number of taxpayers, however, that may opt out of the program and ask that their case be referred to the examination division for a thorough review, based on their belief that sufficient reasonable cause exists to challenge the [foreign bank account report] or information return penalties. If successful, they would avoid having to pay the 20% offshore penalty."

Such a step "should not be done lightly," she cautioned. "Taxpayers should understand the penalty framework, the grounds for challenging the penalty and the exposure if they are unsuccessful."

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