

TAX ALERT

Treasury Department Overhauls Foreign Bank Account Reporting

Recently, there have been numerous headlines about Americans who maintained foreign bank accounts yet failed to comply with mandated disclosure requirements. Many people do not realize that in addition to the income tax law which requires U.S. citizens and tax residents to pay taxes on their worldwide income, the U.S. Treasury Department mandates separate filings to disclose the existence of foreign bank accounts on Form TD F 90.22-1, Report of Foreign Bank and Financial Accounts (also known as the FBAR). In late 2008, the Treasury made significant revisions to this form. The purpose of this alert is to highlight these changes and remind our clients and friends about this reporting requirement.

The FBAR can be downloaded at <http://www.irs.gov/pub/irs-pdf/f90221.pdf> and generally must be filed by any U.S. person who maintains a foreign bank account, where the aggregate value of all foreign accounts exceeds \$10,000 at any time in the calendar year. Some relevant aspects of the FBAR to consider are:

- A U.S. person, for purposes of FBAR reporting, is not limited to a U.S. citizen or U.S. permanent resident but can include others who are physically present in the US for shorter time periods.
- The FBAR form is filed on a calendar year basis and is due by June 30 of the subsequent year. No extensions are permitted.
- The FBAR is filed separately with the U.S. Treasury Department and is not part of the annual tax filing with the Internal Revenue Service.
- The types of account subject to disclosure are broader than bank accounts and include security, retirement and other accounts.
- FBAR reporting is required in cases where the foreign bank account is owned by a corporation, partnership or trust, when more than 50 percent is owned by a U.S. person.
- Among other information, an account subject to FBAR reporting will list:
 - The account holder's name, address and social security number;
 - The name and address of foreign financial institution;
 - The account number
 - The maximum balance during the year; and
 - The type of the account.

The penalties for failing to file the FBAR can be significant. If you believe that you have an account subject to these disclosure rules, please consult with your W&G advisor at 732-846-3000 to determine if Form TD F 90.22-1 should be filed.

Any U.S. tax advice contained in this communication is not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.



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