

September, 2009

Client Alert

IRS Extends Deadline for Participation in Voluntary Disclosure Program

After numerous requests from taxpayers and their representatives, the IRS has decided to extend the deadline for its limited amnesty program to October 15, 2009. As we recently reported in a prior Client Alert, the voluntary disclosure program (the "Program") was instituted by the IRS, in anticipation of the release of almost 5,000 United Bank of Switzerland ("UBS") account holder names, in order to induce taxpayers with unreported offshore accounts to voluntarily disclose such accounts in exchange for reduced penalties and amnesty from criminal prosecution.

Although the Program was originally set to expire on September 23, 2009, its success in getting taxpayers to come forward, combined with the IRS' own inability to efficiently process and manage the flood of cases coming in, likely contributed to the IRS' decision to extend the deadline. Thus far, approximately 3,000 taxpayers have availed themselves of the Program. By way of comparison, when a similar amnesty program was offered by the IRS in 2003, only 1,300 taxpayers participated.

The large number of participating taxpayers is likely due to the benefits of disclosure as well as the fear of criminal prosecution looming over taxpayers with unreported accounts. In addition, UBS has recently sent a series of letters informing its clients that their account information is going to be disclosed to the IRS, prompting many taxpayers to apply for the Program in the hopes of receiving lenient treatment. Moreover, the random selection of accounts to be disclosed by UBS has also prompted small account holders to question whether they can continue to "fly under the radar" and evade scrutiny. Ultimately, the decision to participate in, or opt out, of the Program should be carefully considered depending on the specific circumstances of each individual taxpayer.

Our Firm is intimately involved in monitoring these events and will continue to provide you with pertinent updates as more information becomes available. If you have any questions about the matters covered in this Client Alert, or wish to schedule a private consultation, please call Terrence A. Oved, Esq. of Oved & Oved LLP by telephone at 212.226.2376 or contact by email at terry@ovedlaw.com.