

IRS OFFERS SECOND CHANCE AT AMNESTY FOR UNDISCLOSED OFFSHORE ACCOUNTS

On Tuesday, February 8, 2011, the IRS announced it would be offering a second limited amnesty program (the “2011 Program”) to encourage those U.S. taxpayers still holding unreported offshore bank accounts to come forward and avoid the possibility of severe monetary penalties and criminal prosecution. The 2011 Program is a limited extension of a previous amnesty program, enacted in March 2009 (the “2009 Program”), in which over 15,000 taxpayers disclosed secret accounts to the IRS in exchange for less severe penalties and no criminal liability. The 2011 Program is being offered in response to the overwhelming success of the 2009 Program, as both taxpayers and the IRS benefited from the increased disclosure and relaxation of penalties. The IRS conservatively estimates that as a result of the 2009 Program they were able to collect well over Four Hundred Million Dollars in revenue, and that is only after closing 2,000 of the original 15,000 cases.

As we recently reported in previous Client Alerts, the 2009 Initiative was instituted by the IRS in anticipation of the release of almost 5,000 account holder names from United Bank of Switzerland (“UBS”) in order to induce taxpayers with unreported offshore accounts to come forward voluntarily, rather than be forcibly revealed by UBS.

The large number of taxpayers expected to participate in the 2011 Program is likely due to the benefits of disclosure as well as the fear of criminal prosecution looming over taxpayers with unreported accounts. However, so as not to reward late comers, the penalties under the 2011 Program are harsher than those imposed under the 2009 Program. Moreover, the government estimates that there are still many thousands of taxpayers who have yet to come forward. Indeed, the enactment of the 2011 Program comes at a critical time in the IRS’ efforts to thwart tax evasion, as its investigations into various foreign banks which aid in the establishment of these accounts are now at an advanced stage. Accordingly, IRS Commissioner Doug Shulman has called the 2011 Program “the last, best chance for people to get back into the system.”

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

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