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Reporting of Foreign Bank and Financial Accounts

The US government, through the Treasury department and Internal Revenue Service, has been very focused in recent years (and will continue to do so) on enforcing the reporting of foreign bank and financial accounts (FBAR) of US persons (citizen or resident). The failure to report these accounts can result in very significant penalties, both civil and criminal. For example, willful failure to file could result in paying the **greater of \$100,000 or 50%** of the amount of the account at the time of the violation. Non-willful failure to file is \$10,000 per violation.

Who and What Needs to File?

If the US person has any foreign bank and financial accounts that total more than \$10,000 at any one point in a calendar year, then a mandatory FBAR electronic reporting must be done by April 15 of the following year through the “FinCen” website. A request for extension can be made for up to six months (October 15). FinCen stands for Financial Crimes Enforcement Network.

In addition, if the aggregate value of these assets are greater than \$50,000 at the end of the tax year or \$75,000 at any time of the tax year for unmarried or married, filing separately taxpayers living in the US (\$100,000/\$150,000 for married, filing jointly), then a Form 8938, Statement of Specified Foreign Financial Assets, must be completed and filed with their personal tax return.

Foreign bank and financial accounts include those in which the US person has a financial interest or signature authority.

Of course, any income generated from these foreign bank and financial accounts must be included and reported on the taxpayers’ US income tax return as it is subject to US tax.

The information provided above is very basic in nature and is intended to give some broad information. Therefore, we encourage you to call or email our office if you have any specific questions in these areas where it may pertain to you.