

February 25, 2011

**ALERT: IRS offers tax amnesty for unreported offshore income;
amnesty period ends Aug. 31, 2011**

Between now and August 31, 2011, the IRS is offering taxpayers who have undisclosed offshore income in foreign bank accounts from tax years ending in 2003-2010 the opportunity to **catch up on any overdue tax obligations and ensure all offshore tax reporting is complete**. Many organizations earn income from international transactions which must be reported and/or taxed. It can be easy to overlook those reporting and tax obligations especially if the international income is earned more indirectly, such as through a foreign partnership which owns or invests in a foreign-controlled company.

The new IRS amnesty program, called the **2011 Offshore Voluntary Disclosure Initiative (OVDI)**, may carry penalties ranging from **5-25%** of the highest aggregate balance in foreign bank accounts/entities or value of foreign assets during the period covered by the OVDI. Penalties are in addition to back taxes owed. However, ***taxpayers who have reported and paid tax on all of their foreign income but simply failed to file required tax information returns can file without penalty by August 31, 2011.***

As an additional benefit of the amnesty program, participants avoid criminal prosecution and the potential for substantial additional penalties if unreported offshore income were to be detected in an audit.

Although the IRS offered a similar amnesty program for unreported offshore income in 2009, resulting in about 15,000 disclosures covering banks in more than 60 countries, IRS commissioner Douglas Shulman described the 2011 OVDI offer as "the last, best chance for people to get back into the system."

We encourage you to make sure that your AGH tax professional is aware of any foreign transactions, assets or accounts so that we may provide appropriate assistance on reporting and tax minimization as needed. If you have questions about this alert, please contact your AGH professional at (316) 267-7231 or AGH vice president of tax services Curtis Dean at Curtis.Dean@aghlc.com or (316) 291-4189.

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