

TEMO A. ARJANI & CO LLP
CERTIFIED PUBLIC ACCOUNTANTS

301 EAST COLORADO BLVD., SUITE 426
PASADENA, CALIFORNIA 91101

TEL.(626) 578-1978
FAX (626) 578-1639

Tax Alert

Foreign Bank and Financial Account Reporting

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To Our Clients and Friends:

The IRS is aggressively pursuing individuals with undeclared offshore bank and financial accounts. As you may be aware, U.S. citizens, residents and persons doing business in the United States are required to file Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts ("FBAR"), with the U.S. Treasury if they have a financial interest in or signature or other authority over any foreign financial accounts, where the **aggregate value** of such financial accounts exceeds **\$10,000** at any time during the calendar year. FBAR reports for the preceding year are due annually on or before June 30.

The prescribed penalties for failure to file range from \$500 to \$10,000 for non-willful violations, and up to the greater of \$100,000 or 50% of the account balance plus criminal penalties for willful failure to file. Additionally, if the income from such account has not been included in your income tax returns, income taxes, late payment penalties, fraud penalties and interest may also be due.

To encourage taxpayers to voluntarily disclose accounts held offshore, the IRS has provided a set of temporary guidelines for "voluntary disclosures" and imposition of reduced (but still significant) penalties. Under the guidelines, the IRS will look back at FBAR and income tax filings for six years (tax years 2003 through 2008). Civil penalties have been reduced to a range from 5% to 20% of the highest account balance during the lookback period. The voluntary disclosure program ends on September 23, 2009.

Please contact us if you have questions regarding any foreign financial interests.

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