

## What You Need to Know About the Foreign Bank and Financial Accounts (FBAR) Reporting Requirements

**Important: June 30<sup>th</sup> Filing Deadline**

### Summary

Any U.S. person with a financial interest in or signature authority over a foreign bank account must file a Form 114, Report of Foreign Bank and Financial Accounts (FBAR), if the aggregate value of all foreign accounts at any time during the calendar year exceeds \$10,000.

While the FBAR is an information return only and does not impose any additional tax, there can be significant civil and criminal penalties for a failure to file.

The purpose of the FBAR is to enable the federal government to identify persons or entities that use offshore financial institutions to circumvent US tax law and to help identify unreported income earned or maintained in foreign accounts.

### Who is subject to FBAR?

U.S. persons include a U.S. citizen, a foreign national who is a U.S. tax resident and a U.S. entity, such as a partnership, a corporation or a trust that is created, organized or formed under the laws of the U.S. or any state or territory. The FBAR filing requirements apply to **any account** maintained by an offshore financial institution including checking, savings, brokerage, retirement, and any insurance or annuity policy that has a cash value. A U.S. person who is the grantor of a foreign trust or has a greater than 50% beneficial interest in the assets or income of a foreign trust must also file a FBAR report.

### Deadline for filing FBAR

The FBAR, which is separate from an income tax return, **must be received** by the Department of the Treasury **by June 30<sup>th</sup>**. The FBAR filing deadline **will not be extended** to the next business day if the due date falls on a holiday or weekend. Moreover, extensions to file an FBAR will not be granted.

In addition, any income from the foreign account must be reported on the income tax return for that year as well.

### What needs to be reported?

Information to be filed includes the taxpayer's name, address, social security number and:

- Name of the financial institution and mailing address
- Type of account and account number
- Maximum value of each account during that calendar year

The maximum account value is defined by the IRS to be the largest amount reported on an account statement issued by the institution during the tax year.

This year the FBAR filing must be done electronically.

### **Penalties for failure to file**

There are significant civil penalties for failure to file. Civil penalties range from \$500 to \$100,000 (or 50 percent of the amount in the account at the time of the violation, whichever is greater).

In severe cases the taxpayer can be subject to criminal charges. These criminal penalties range from \$10,000 to \$500,000, including imprisonment up to 10 years.

***For more information or assistance with this filing, please contact your personal Edelstein advisor.***

Copyright © 2014 Edelstein & Company LLP

*Material Discussed in this alert is meant to provide general information and should not be acted on without obtaining professional advice tailored to your individual and specific needs. This information is for general guidance only and is not a substitute for professional advice.*

*IRS CIRCULAR 230 DISCLOSURE: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.*