

# Behind on Your US Expat Taxes? Now’s the Time to Get Caught Up!

By TCRN on July 17, 2014 in Retirement



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The Costa Rica News (TCRN) – There are approximately 7.6 million Americans living and working overseas (over 50,000 in Costa Rica alone) and it is estimated that only half are filing US tax returns each year. Based on Greenback’s recent survey, it is clear that many US expats are simply not aware of their US federal tax obligation...but they do have them and millions of Americans are at risk for being targeted by the IRS. Thankfully, there are options to get caught up and move on.

### The Streamlined Filing Procedures

This is far and away the best option for expats who were unaware of their filing obligations. This program is designed for those whose lack of filing was non-willful—meaning, there was no purposeful hiding of assets in an attempt to evade paying Uncle Sam. Most expats will fall into this category. Under this program, US expats simply file the last 3 years of Federal Tax Returns and 6 years of FBARs (Foreign Bank Account Report) if you are required to do so. Here is the rule: FBARs must be filed if the total of all of your foreign bank accounts totaled \$10,000 or more at any point during a tax year — even if you only hit that balance for one day or one hour!

The best part about the Streamlined Procedures is that the IRS has recently waived all late filing and FBAR penalties. Yes, all late penalties have been waived which means US expats may now simply file tax returns and FBARs and that’s it! Of course, there is no guarantee that you won’t owe any taxes for those years, but the majority expats do not end up owing.

### The Offshore Voluntary Disclosure Program (OVDP)

On the other hand, if you have been willfully (or unwittingly) hiding assets in offshore accounts to avoid paying US taxes, your situation is a little different. In this case, OVDP will be your best bet. You won’t be able to avoid all penalties, as there is a minimum penalty of 27.5% on the highest balance in your undisclosed accounts, but you will avoid criminal prosecution when you come forward voluntarily. And as of August 4, 2014, the penalty could be as high as 50% if your money was held in one of the banks that is currently working with or involved in a US court filing procedure.

OVDP requires you to file 6 years of Federal Tax Returns and 8 years of FBARs. It’s a more involved process, as you can imagine, and we recommend you speak to an attorney who can help you weigh your options carefully prior to applying.

### Get Compliant

If you are behind on your US taxes — you’re aren’t alone. It is estimated that about 50% of US expats are behind on their US taxes. Since July 1, 2014 the IRS actually made it much easier for you to become compliant, due to the changes to the Streamlined Filing Procedure, so don’t let the fear of harsh penalties keep you from coming forward. Keep in mind that the IRS hasn’t set an official closing date for either program, so they could end at any time, without notice. There is no better time to get caught up!

*This post was written by David McKeegan, co-founder of Greenback Expat Tax Services ([www.GreenbackTaxServices.com](http://www.GreenbackTaxServices.com)) Greenback specializes in the preparation of US expat tax returns for Americans living in Costa Rica and around the world. Greenback offers straightforward pricing, a hassle-free process and CPAs and IRS Enrolled Agents who have extensive experience in the field of expat tax preparation.)*

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