

Presented by **Greenback Expat Tax Services**

# What's next for Americans who are behind on their taxes?

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## The Local Client Studio

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### It's official: the Offshore Voluntary Disclosure Program (OVDP) is ending this year.

The IRS' [decision to end the OVDP](#) makes sense; why keep an amnesty program running forever?

The IRS is now getting information from Foreign Account Tax Compliance Act (FATCA), so it no longer needs people to volunteer the information; it can utilize the FATCA reporting to identify those hiding their accounts, especially if the accounts are sizeable.

Further, the IRS may be [terminating the OVDP](#) because it has been open for an extended period of time – long enough for just about anyone living abroad and those with sizeable bank accounts to have heard about it.

### Start your US Expat Tax Return

FATCA has been implemented, and so the nature of foreign bank account reporting has changed. But to understand how we got to this point, it's important to take a step back.

#### Why were the amnesty programs initiated?

Taxpayers with foreign bank accounts who are behind on their reporting currently have two options available to them to get caught up: the Streamlined Filing Procedures and the Offshore Voluntary Disclosure Program (OVDP).

The main difference between the OVDP (previously the Offshore Voluntary Disclosure Initiative (OVDI)) and the Streamlined Filing Program is based on intent. Did you intend to hide or not report your accounts to the IRS or was the omission unintentional?

These voluntary disclosure programs were designed for individuals who were intentionally hiding assets overseas and not reporting them to the IRS; the intent being to give them a way to come into compliance, pay some stiff penalties, but avoid criminal prosecution.

The Streamlined Filing Procedures, on the other hand, are intended for individuals who did not know they were required to file US taxes while living abroad, so they are able to become compliant while also avoiding the big penalties under the OVDP.

#### Avoid potential IRS difficulties

The Streamlined Filing Procedures started two to three years after the initial OVDP/I, and the IRS will likely keep it open for a while longer. As of now, there are no indications that any change to the Streamlined Program will happen.

But, the closing of OVDP could signal the intent to close the program at some date in the future. For those not in compliance with US tax filings, the best option is to seriously consider becoming compliant now to avoid a much more difficult time with the IRS in the future.

Hopefully, if the Streamlined Filing Procedures is closed, the IRS will also give a significant amount of advance notice – 6 months or more. Finding all the records needed to accurately file a tax return and to become compliant using Streamlined Filing Procedures can be very difficult, as it requires 3 years of delinquent Federal Tax Return filings and up to 6 years of Foreign Bank Account Reporting (FBAR).

#### What are the other implications?

In 2015, Congress passed the Fixing America's Surface Transportation Act (the FAST Act), which allows the State Department to deny new passport applications and revoke existing passports in certain situations where the taxpayer is behind on their taxes.

In a worst-case scenario, the IRS, the Treasury, and the State Department could begin targeting individuals who are behind on their taxes or not reporting foreign bank accounts via FATCA and then deny or revoke their US passport.

The knock-on impact for US expats could be huge – if your host country Visa is linked to a US passport and that passport gets revoked that could lead to deportation!

Imagine this situation: a US expat is living and working overseas, legally working and paying taxes in a foreign country. In 2010, a friend tells him to buy \$10 of bitcoin and he does, then saving them in a wallet (software storage program) hosted overseas.

### Get started on your taxes with Greenback

In 2017, bitcoin hit \$19,000 per coin, making his investment worth \$190,000. He files and pays his local taxes each year and owes no money on his US taxes; so he stops filing, wondering, "Why spend the money if I never owe anything?" He also doesn't file an FBAR because his foreign accounts have under \$10,000, excluding the bitcoin.

Most of us would not consider this individual a criminal, however, under the new rules, his passport could be revoked, which would lead to him losing his local Visa and probably his job. He could also face some very stiff FBAR penalties for failing to report the bitcoin, even though he has not sold them yet, so no capital gains tax is due. This hardly seems fair.

#### What are the 2018 deadlines?

Taxpayers behind on their reporting should consider the deadlines in 2018.

The US tax deadline and the deadline for FBAR is April 17th. However, expats living abroad on the due date receive an automatic extension until June 15th for the Federal Tax Returns, and an automatic extension until October 15th for the FBARs.

If expats file for an additional extension, the final deadline for the tax returns is October 15th. Keep in mind that interest will accrue on any taxes owed beginning April 17th.

Though those are the deadlines, if you are behind, you are in good company. Many expats who did not realise they were obligated to file are several years late on their tax returns. There's no reason to panic – just [work with an accountant who specializes in expat taxes](#) and you will be caught up in no time.

#### What should expats do?

The government has undergone many changes since the original OVDP/I was launched in 2009 and the Streamlined Program in 2012.

With both being revised in 2014 and now with OVDP officially ending in September 2018, this could indicate that the IRS is moving away from a more lenient amnesty phase.

It's more important than ever to become compliant or truly understand the risks if you don't. If you plan to take advantage of the amnesty programs, do it before they go away.

#### Do you have specific questions about your expat taxes?

[Greenback accountants](#) specialize in expat tax issues and are able to take away the anxiety many expats feel come tax time.

[Contact Greenback Expat Tax Services](#) today!

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