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What expats don't know about this tax requirement will cost them

- About 1 in 5 expatriates are unfamiliar with the Foreign Account Tax Compliance Act, a law that requires taxpayers to report assets held overseas.
- Penalties for deliberate failure to report are as high as \$100,000 or 50 percent of the balance in the foreign account, plus potential criminal penalties.
- A voluntary disclosure program is ending on Sept. 28, 2018.

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cdwheatley | Getty Images

It will take more than moving across an ocean to escape the long arm of the IRS.

Americans who hold assets in foreign countries are required to report those accounts to the appropriate federal authorities — or else face penalties as high as \$100,000 or 50 percent of the account balance.

Despite the severe punishment for failure to report, Americans abroad still have a lot to learn about their reporting requirements.

Those were the findings of a recent survey by Greenback Expat Tax Services. From late March to May 2018, the company polled more than 3,800 U.S. expats.

More than 20 percent of the participants did not know what the Foreign Account Tax Compliance Act (FATCA) is. It's a 2010 federal law that requires banks and other foreign entities to report on assets held overseas by Americans.



Michael Robinson Chavez | Los Angeles Times | Getty Images

Lake Chapala has the highest expat population outside the United States according to proud 'locals.' The area is filled with exclusive gated communities filled with transplants from Canada and the US, most of whom speak little or no Spanish.

In addition, approximately half of the expats in the survey were unfamiliar with the IRS's [streamlined filing procedures](#), a process that allows American taxpayers to come clean about their failure to report their foreign accounts and pay taxes.

"These requirements can carry some life-changing penalties for people," said David McKeegan, co-founder of Expat Tax Services. "If your pension is in the wrong vehicle, the government can take as much as 50 percent for not reporting it."

Here's what you need to know if you hold assets in a foreign account.

Know the FBAR



Ferrntraite | Getty iamges

San Miguel de Allende in Mexico.

If you had an interest in or signature authority over at least one account outside the U.S., and if the aggregate value of all the foreign accounts exceeded \$10,000 at any time during the year — then you need to file a [report of Foreign Bank and Financial Accounts](#) (FBAR) with the Treasury's Financial Crimes Enforcement Network.

Generally, you have until April 15 to submit the FBAR, but if you fail to make it, you're eligible for an automatic extension until Oct. 15.

If you flout the law, you could be on the hook for the greater of up to \$100,000 or 50 percent of account balances in penalties. Further, you could face criminal penalties.

Filing this form doesn't release you from additional disclosures you may need to make on Form 8938.

Form 8938



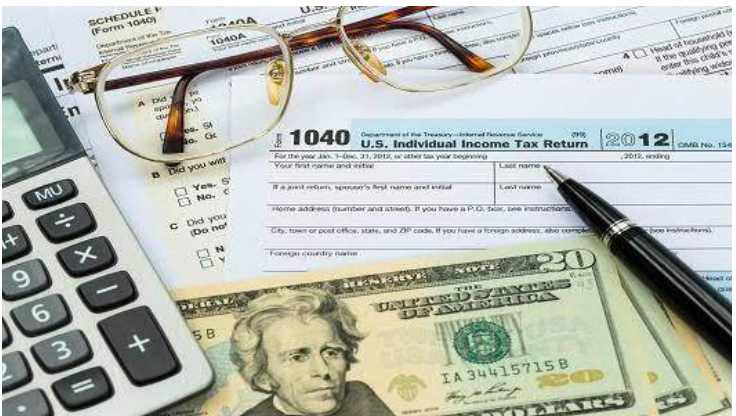
Adam Jeffery | CNBC

The Internal Revenue Services offices in Washington, D.C.

If you're required to turn in an FBAR, you may also need to tell the IRS about your account holdings and file [Form 8938](#) when you submit your tax return on April 15.

Your reporting requirements will vary based on where you live and the value of your foreign assets.

Single taxpayers who live overseas are **required** to file Form 8938 if the total value of their foreign financial assets exceeds \$200,000 on the last day of the tax year (\$400,000 for married-filing-jointly) or if it exceeds \$300,000 any time during the year (\$600,000 for spouses who file jointly).



Single filers who live in the U.S. must turn in Form 8938 if the total value of their foreign financial assets exceeds \$50,000 on the last day of the tax year (\$100,000 for joint filers) or if the value exceeds \$75,000 any time during the year (\$150,000 for couples filing jointly).

Failure to disclose these accounts could put you on the hook for a penalty of up to \$10,000.

If you continue withholding information from the IRS, even after you receive a notice of failure to disclose, you could face a maximum penalty of \$60,000 and criminal penalties.

Even if your assets are below the reporting threshold, you are still responsible for U.S. ordinary income or capital gains taxes related to those accounts, said Douglas Ralph, a CPA with Greenback Expat Tax Services.

Deadline to come clean



Andrew Rich | Getty Images

If you're hiding money in a foreign bank account, the clock is ticking for you to come forward and let the IRS know what's going on.

The [Offshore Voluntary Disclosure Program](#), which is ending on Sept. 28, allows taxpayers to report their accounts to Uncle Sam and pay taxes owed. Specifically, it's for those with exposure to potential criminal liability or large civil penalties due to willful failure to report the accounts.

This is different from the streamlined filing procedure, which is for those who were negligent when they failed to report the accounts.

Either way, if you haven't told the IRS about your foreign holdings, now is the best time to let them know.

"They're closing out the voluntary disclosure program for those who are willfully hiding assets overseas," said McKeegan. "You avoid criminal prosecution and pay a penalty without facing jail time."

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