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New IRS program aims at offshore tax cheats

By Martin C. Daks

Some New Jersey residents will be facing a hefty bill under a new Internal Revenue Service program aimed at offshore tax cheats, a West Orange accountant said Wednesday morning. The program was unveiled late Tuesday and will run until Aug. 31.

“The 2011 Offshore Voluntary Disclosure Initiative will let people with unreported foreign bank accounts and other assets avoid criminal prosecution if they come forward to the IRS before the agency gets their names,” said **Jeffrey E. Callahan**, partner in charge of the tax department at the CPA firm **Bederson & Co. LLP**. “But in return, they’ll face some stiff penalties.”

Besides being liable for interest charges, taxpayers in voluntary programs usually face late filing or under-filing penalties based on a percentage of the tax that was due, but not paid.

“But in this case, the penalty will be 25 percent of the highest amount in the foreign bank account from 2003 to 2010,” Callahan said, referring to the periods covered in the IRS program. That’s on top of the back taxes, interest, late filing and other penalties that will be assessed.

People who come in under this program “typically have \$1 million to \$5 million of offshore assets,” said Callahan, who represents New Jersey business owners and other individuals in the Garden State and elsewhere who have undeclared offshore accounts. “So by the time you get done with the tax, interest and penalties, they could lose close to half their offshore cash.”

For a long time, Swiss banks and others in certain so-called “tax havens” did not share their account holders’ information with U.S. or other authorities. But the Swiss secrecy wavered under U.S. pressure, and American authorities got the names of thousands of U.S. account holders following a 2009 legal settlement with **UBS**, Switzerland’s second-largest bank.

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