**Abstract:** In an increasingly globalized society, many people choose to open offshore accounts to deposit a portion of their wealth. This article details how to disclose offshore accounts to the federal government and explains the penalties that can result from failing to do so.

**Foreign accounts call for specific reporting requirements**

In an increasingly globalized society, many people choose to open offshore accounts to deposit a portion of their wealth. When doing so, it’s important to follow the IRS’s strict foreign accounts reporting requirements. In a nutshell, if you have a financial interest in or signature authority over any foreign accounts, including bank accounts, brokerage accounts, mutual funds or trusts, you must disclose those accounts to the IRS and you may have additional reporting requirements.

To do so, your tax preparer will check the box on line 7a of Schedule B (“Interest and Ordinary Dividends”) of Form 1040 — regardless of the account value. If the total value of your foreign financial assets exceeds $50,000 ($100,000 for joint filers) at the end of the tax year or exceeds $75,000 ($150,000 for joint filers) at any time during the tax year, you must provide account details on Form 8938 (“Statement of Specified Foreign Financial Assets”) and attach it to your tax return.

Finally, if the aggregate value of your foreign accounts is $10,000 or more during the calendar year, file FinCEN (Financial Crimes Enforcement Network) Form 114 — “Report of Foreign Bank and Financial Accounts (FBAR).” The current deadline for filing the form electronically with FinCEN is April 15, 2018, with an automatic extension to October 15.

Failure to disclose an offshore account could result in substantial IRS penalties, including collecting three to six years’ worth of back taxes, interest, a 20% to 40% accuracy-related penalty and, in some cases, a 75% fraud penalty. For further information, contact us.

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