



May 20, 2016

It's 2016, do you know where your investments are?

INTERNATIONAL, TAX

BY SCHNEIDER DOWNS PROFESSIONAL

"It's 10 p.m., do you know where your children are?" was a popular public service announcement in the 70s and 80s. Now in 2016, the IRS and tax courts are echoing a similar sentiment related to taxpayers' knowledge of their foreign offshore holdings and investments.

A recent decision regarding former billionaire Sam Wyly should send a wakeup call to those who utilize offshore funds and companies to harbor unreported money and illegal profits. In front of U.S. Bankruptcy Judge Barbara Houser, Mr. Wyly claimed that his accountants and tax counsel were in charge of his money, banking structure, and transactions that hid funds and investments that helped gain \$550 million in illegal profits, and he was unaware of the details surrounding these transactions. Judge Barbara Houser disagreed with Wyly's defense, which relied on claims of ignorance, and stated, "The court does not believe that the law permits Sam to hide behind others and claim not to have known what was going on around him."

Foreign reporting continues to emerge as a hot topic for the IRS and Financial Crimes Enforcement Network. United States residents now need to be aware that, in addition to reporting all worldwide income on their tax returns, they need to also report information surrounding their foreign assets and foreign bank accounts, even if no tax is due.

FOREIGN FINANCIAL ACCOUNTS REPORTING REQUIREMENTS

Reportable items include, but are not limited to:

1. Foreign financial accounts with a financial interest *or* signatory authority (potentially including employer's bank accounts in which the individual has a signature authority);
2. Foreign stock or securities;
3. Foreign-issued life insurance or annuities;
4. Foreign hedge funds, private equity funds, and mutual funds; and
5. Controlled foreign corporations or partnerships.

Failure to comply with all applicable reporting requirements could result in significant fines and penalties and could potentially leave closed tax years open for the IRS to audit.

The next upcoming due date for foreign reporting is June 30, 2016, when the Annual Report for Foreign Bank and Financial Accounts (FBAR) is required to be filed. Note that this deadline will be moved forward for 2016 and subsequent tax years, to April

15.

...It's 2016, do you know where your investments are?

Contact us if you have questions or concerns surrounding your FBAR or other reporting requirements, and visit our international blog to read other articles on related topics.

You've heard our thoughts... We'd like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're especially interested in what you may have to say. If you have a question or a comment about this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at contactSD@schneiderdowns.com.

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.

© 2024 Schneider Downs. All rights-reserved. All content on this site is property of Schneider Downs unless otherwise noted and should not be used without [written permission](#).