

TAX FACTS FOR US CITIZENS LIVING ABROAD 2012

American citizens and green-card holders residing outside the United States sometimes don't file tax returns in the United States. Oftentimes, such persons don't file because they have already filed tax returns and paid taxes in the country where they reside. However, the United States taxes its citizens and green-card holders on their worldwide income. And sometimes there's no tax due to the United States, or a very low amount of tax is owed. The Internal Revenue Service will be implementing a new compliance program designed to minimize penalties that might otherwise apply to Americans faced with the prospect of needing to filing late tax returns in the U.S.

Starting September 1, 2012, the IRS is offering a new procedure for Americans residing outside the U.S. who needs to file late tax returns. Under this new program, the IRS will not assert penalties if all the following criteria are met:

- The person is currently residing outside the U.S.,
- The person files income tax returns for the last three years,
- The person files foreign bank account reports for the last six years,
- The person pays any tax and interest due when filing the tax returns,
- The amount of tax due is less than \$1,500 for each year,
- And the person provides a statement explaining why there is reasonable cause for the delay in filing the tax returns.

Under this new program, individuals can also request and receive retroactive tax relief relating to Canadian registered retirement savings plans and registered retirement income funds. The IRS will permit taxpayers participating in these plans to make retroactive elections to defer U.S. tax on income generated inside these plans until the funds are withdrawn.

The IRS is stating that tax returns and foreign bank account reports filed under this new program will be reviewed by IRS personnel, but the review process can be expedited based risk factors that the IRS is looking for.

This new procedure is intended to be an alternative to the IRS's current [Offshore Voluntary Disclosure Program](#). Americans residing abroad who need to file tax returns for previous years should consider review their options under this new procedure with an attorney, enrolled agent or certified public accountant experienced with these issues.