

**FOR IMMEDIATE RELEASE**

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**IRS Seduces Off Shore Account Holders**

**Washington, D.C. – March 26, 2009**

The Internal Revenue Service today provided instructions to its field agents on how to deal with American taxpayers with undisclosed offshore bank accounts. Unlike the formalized settlement initiatives that the IRS has adopted in the past, it chose to issue internal guidance to its revenue agents and operations personnel. The Service stated if these taxpayers voluntarily came forward and divulge all their offshore activities and assets, they can expect penalty relief. This portion of the voluntary disclosure policy will only be available to taxpayers who come forward within the next six months.

“While the penalty structure is more stringent than one might have hoped, the IRS is at least giving some constructive guidance to persons with undeclared accounts,” said Scott Michel, a partner with Caplin & Drysdale. A taxpayer who qualifies for the voluntary disclosure can expect a penalty that equals 20% of their highest account balance over the past six years, if they failed to file certain informational returns with the U.S. government. This amount is significantly less than the potential 50% penalty that might be applied to some informational returns.

“Although there is accuracy and potential delinquency penalties, the significantly lower penalties on informational returns should be an incentive for many individuals who are considering a voluntary disclosure,” said Jim Mastracchio, a partner with Caplin & Drysdale.

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