



## *A Message from the Tax Practice Group*

### *It's a Small World After All*

Over the past ten years, the informational reporting requirements for foreign accounts and foreign assets have increased tremendously. Even worse, the non-compliance penalties have increased exponentially more. There are two common informational filings. Unfortunately, one is required by the Treasury Department and one is required by the IRS, so there is some duplicate reporting required by the filer.

The Report of Foreign Bank and Financial Accounts, or "FBAR" is a Treasury Department filing that has been around since the 1970's. In general, this form reports financial interest or signature authority in foreign financial accounts. In the early 2000's, the failure to file penalties increased significantly. The IRS jumped on the band wagon with their own form, Statement of Specified Foreign Financial Assets (Form 8938) which became effective for most taxpayers in 2011. This form reports the value of all foreign financial assets, including financial accounts that are reported on the FBAR. This form also includes stocks and securities, interest in an entity, bonds or debt, pension plans, estates, trusts, swaps, options, etc.

Please don't hesitate to call us and let us help determine if you are required to file either or both of these forms.

All the best,

George and Mike  
Tax Practice Group  
Batchelor, Frechette, McCrory, Michael & Co.

## THINGS TO KNOW

- **Threshold for FBAR reporting is \$10,000 aggregate value of all accounts during any month of the calendar year.**
- **Threshold for Form 8938 starts at \$50,000 aggregate value for single taxpayers and \$100,000 aggregate value for married filing joint taxpayers.**
- **Penalties for failing to file the FBAR start at \$10,000 to \$100,000 or 50% of the account.**
- **Penalties for failure to file Form 8938 start at \$10,000 up to \$60,000. These do not include any penalties for not reporting the income from the foreign assets, if applicable.**



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## Did you know?

### ***FBAR***

1. Signature authority creates a filing requirement for FBAR. Therefore, an officer of a company that has signature authority will have a personal filing requirement even if the officer has no ownership in the company.
2. Value for the FBAR is determined at the maximum account value during the year and the filing must be received by the Treasury Dept by June 30.

### ***Form 8938***

3. Real estate held by an individual taxpayer is not a financial asset unless it is held in an entity. In that case, the interest in the entity is includable on the Form 8938. Financial accounts maintained at a domestic branch of a foreign bank or a foreign branch of a US bank are not considered reportable financial accounts.
4. Value for Form 8938 is determined on the last day of the tax year and the form is due with your income tax return including extensions.

Return Service Requested