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Overseas U.S. Citizens and Green Card Holders: New IRS Enforcement in 2024 Increases Tax Compliance Pressure

U.S. Citizens and Green Card holders living overseas usually become delinquent with their tax obligations, becoming potential IRS targets under the renewed tax compliance enforcement programs in 2024.

By Nestor Guillen, CPA, CEO GPCPAs

In an era where financial transparency and compliance are paramount, U.S. citizens and green card holders living overseas often find themselves in precarious positions. With the IRS intensifying its enforcement efforts in 2024, the stajes have never been higher.

As a U.S. citizen or green card holder abroad, understanding your tax obligations is not merely about compliance; it's about safeguarding your financial future. The IRS's renewed tax enforcement programs are zeroing in on high-income taxpayers who have historically used foreign bank accounts to obscure their financial realities.

For those unfamiliar, any U.S. person with a financial interest in a foreign financial account exceeding $10,000 is required to file a Report of Foreign Bank and Financial Accounts (FBAR). After analyzing multi-year filing patterns, the IRS has identified hundreds of potential FBAR non-filers with average account balances over $1.4 million. The fiscal year 2024 promises stringent audits on the most flagrant non-compliance cases, posing risks of underreported income, additional taxes, hefty penalties, and severe legal consequences, including passport revocation or imprisonment for willful evasion.

Amid these developments, staying informed and proactive is not optional–it's essential. This piece delves into the IRS's latest enforcement initiative, elucidates why expatriates often fall into tax delinquency, and offers practical advice on how to stay compliant with U.S. tax laws.

Compliance

As a U.S. citizen or green-card holder, annual tax return filings are mandatory, regardless of residency. This encompasses worldwide income, foreign companies where you have a significant ownership stake, and offshore accounts where you hold signature authority. Non-compliance can result in penalties, interest, and severe legal actions.

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Misconceptions about these obligations often lead to non-compliance. Many believe that ignoring these requirements will lessen their tax burdens, a notion far from reality. In fact, various relief programs exist, offering substantial benefits that can mitigate tax obligations.

Expats or resident aliens living abroad, face the additional challenge of dual tax obligations—complying with both U.S. and host country tax laws. This complexity often leads to confusion and missed filings. Common issues include managing complex financial portfolios, addressing dual taxation, and a general lack of awareness about specific filing requirements. Navigating these intricacies is vital to avoid severe penalties.

Client Success Story

Consider the case of a young U.S. citizen living in the U.K., also holding Spanish citizenship. Starting his career post-college, he had not filed any U.S. federal tax returns or FBAR forms for years, unaware of the accruing penalties. His income saw a significant rise after graduate studies–he went from a modest income in Spain at the beginning of his career to a high-income position in the U.K. On his supervisor's advice, he sought U.S. CPA expertise to rectify his tax situation and contacted Guillen Pujol CPA Group.

Our international tax experts evaluated his situation and guided him through the Streamlined Foreign Offshore Procedure, designed for non-willful failures to report income. We helped him file all delinquent tax returns and FBAR forms, integrating his tax obligations in Spain and the U.K. By leveraging the available relief programs, we reduced his tax burden and avoided severe penalties.

Today, he is fully compliant with U.S. tax laws, filing annually as required, without the stress of unresolved tax issues. His story is among hundreds of successful cases, showcasing our commitment to resolving complex tax matters for clients in the U.S. and around the world.

For privacy reasons, we have removed the client's name, but his success reflects the positive outcomes we achieve for many U.S. citizens, both abroad and at home. We have also successfully managed cases for U.S. residents, which often involve significantly higher risks, demonstrating our ability to handle complex situations. Whether navigating the intricacies of international tax law or mitigating higher risks and penalties for non-compliant U.S. residents, our team, along with highly recognized international and criminal tax attorneys, ensures our clients receive the best possible protection and results.

Streamlined Programs: Your Path to Compliance

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The IRS offers several programs to facilitate compliance without penalties:

1. **Streamlined Foreign Offshore Procedures:** For non-willful failure to report income and file tax returns.
2. **Offshore Voluntary Disclosure Program (OVDP):** For disclosing offshore accounts and assets.
3. **Foreign Earned Income Exclusion (FEIE):** This program allows you to exclude a portion of foreign earnings from U.S. taxation.
4. **Foreign Tax Credit:** This program prevents double taxation on income taxed by both the U.S. and your host country.

Take Action Now

Don’t wait until it’s too late. Ensure you:

- **Review Your Filing Requirements:** Visit the IRS website for detailed information.
- **Use IRS Tools and Resources:** Access guidance and forms online.
- **Seek Professional Help:** Consult international tax experts to stay fully compliant.
- **Stay Organized:** Keep detailed records of all your foreign financial accounts and income sources.

Ready to secure your financial future and avoid IRS penalties? We’re here to help.

Our team of international tax experts specializes in providing relief assistance for U.S. citizens and U.S. tax residents, living in the U.S. or overseas, who have fallen behind on their tax filings. We can guide you through the process and help you utilize available relief programs to ensure compliance and avoid penalties.
Schedule a consultation with our international tax experts today. [Schedule Now]

Contact Us

For personalized assistance, contact us and schedule a consultation today. Stay compliant, avoid penalties, and secure your financial future today.

Explore Our Services.