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CLIENT BEWARE: Beware of the Potentially Huge Headaches from Foreign Accounts

by Stephan J. Lipskis, Esq.

Having the largest naval base in the world means that Hampton Roads is home to many individuals with ties to foreign locales. When those ties include ownership or control over foreign bank accounts, a potentially huge problem looms when those accounts are not properly reported to the United States government.

Frequently, individuals compartmentalize their financial holdings between the respective countries in which those assets are held. Unlike all other developed nations, the United States treats all worldwide income as taxable in the U.S., and failure to report income on foreign assets can lead to severe civil and criminal penalties. The implementation of the Foreign Account Compliance Act ("FATCA"), which requires foreign financial institutions to report U.S. account holders, has aided the United States in tracking down individuals with foreign accounts. Here are key indicators which will help determine whether you need to seek help in bringing your foreign account(s) into compliance.

Have you owned or had control over foreign accounts aggregating in value to \$10,000?

This is the threshold requirement for filing what is known as a "Report of Foreign Bank and Financial Accounts" or, more commonly, and "FBAR". This filing is in addition to reporting foreign income on your U.S. tax return. Failure to file an FBAR in a timely fashion may result in assessment of a penalty equal to 50% of the highest account balance in each year an FBAR was not filed. Waiting to be caught due to information obtained under FATCA eliminates the opportunity for a foreign account holder to pursue less punitive means of compliance if they are available.

Have you reported all tax on your foreign holdings?

Failure to pay taxes on foreign assets commonly occurs because foreign financial institutions may not properly report income to the United States taxpayer holding the account. Furthermore, accounting differences between foreign financial institutions and U.S. institutions are adjusted for in the U.S. Tax Code by creating a regime that penalizes individuals who hold certain foreign investments in foreign accounts. Particular trouble arises if an account holder owns mutual funds, money market funds, bond funds, or similar investments in a foreign account. Such investments may create a hidden outstanding U.S. tax liability.

Have you received a letter from a foreign financial institution?

As the compliance efforts under FATCA become more aggressive, foreign financial institutions are seeking to shed accounts with United States account holders in order to avoid the compliance headache that has been forced on them. Often it is a letter from the foreign banking institution that alerts the U.S.-based accountholder to the compliance problem.

Several programs have been created to rectify foreign account reporting problems and some even allow for such problems to be resolved with no penalty. If you feel you may be encountering a foreign account compliance issue please contact us to schedule a consultation meeting.



Singing Mice

Hook Law Center: Kit Kat, can mice really sing?

Kit Kat: Yes, they can, but, unfortunately, you and I can't hear them. Why? Their vocalizations seemed aimed at female mice, not ordinary creatures like you and me. Also, their singing utilizes high pitches which humans can't detect. This new knowledge has been obtained by researchers at Duke University. It looks like Duke has more than a great basketball team—they also have some fantastic scientists!

Here's what they have found. Male mice do the singing to attract potential mates. When the female mice are out of sight, the males have a loud, complex song to sing. As the female becomes closer to them, the male quiets his song, as if he is saving his energy for actual mating. The scientist discovered this by tricking the males that a female was nearby by exposing them to female urine. Not a very romantic thought, but it works for male mice. When the female was actually within sight, the males softened their voices, and focused their attention on mating.

Scientists are not finished, however, They still want to know more about the songs the males are singing. Are they the same for all males, or are they individually crafted to suit the situation? Hopefully, further research will answer these questions. But what they have discovered so far is amazing! Who would have thought such little creatures could have such complex, mental operations!

(Rachel Feltman, "Mice sing just like birds, but we can't hear it," reprinted from [The Washington Post](#) in [The Virginian-Pilot](#), April 3, 2015, pg. 8)



Join Hook Law Center in celebrating
National Autism Awareness Month!

Upcoming Events

- **April 22, 2015** – Andrew H. Hook will be the keynote presenter of a webinar regarding Protecting Real Property in conjunction with Interactive Legal Services.
- **April 24, 2015** – Hook Law Center will be an exhibitor at Senior Advocate’s Active Aging Expo for Hampton Roads Women 55+ at the Norfolk Sheraton Waterside Hotel from 9AM – 12:30 PM.
- **April 27 & 30, 2015** – The HLC Monthly Seminar for **April is Veterans Benefits – How Proposed Changes Will Affect You!** The seminar is scheduled at 10 a.m. on Monday, April 27, 2015 at the Meyera E. Oberndorf Central Public Library, 4100 Virginia Beach Boulevard, Virginia Beach, VA and at 10 a.m. on Thursday, April 30, 2015 at the Hilton Garden Inn, 5921 Harbour View Boulevard, Suffolk, VA. To register and reserve your seat, please call 757-399-7506 and ask for Debbie.
- **August 12, 2015** – Andrew H. Hook will be speaking to a group at Maryview Hospital in Portsmouth, Virginia.
- **August 21, 2015** – Andrew H. Hook will be speaking to a group at DePaul Hospital in Norfolk, Virginia.
- **August 27, 2015** – Andrew H. Hook will be speaking to a group at Mary Immaculate Hospital in Newport News, Virginia.
- **September 9, 2015** – Andrew H. Hook will be speaking at a Virginia Continuing Legal Education seminar, location TBA.

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