

 Fact Sheet

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

[www.IRS.gov/newsroom](http://www.IRS.gov/newsroom)

Public Contact: 800.829.1040

## Foreign Financial Accounts Reporting Requirements

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With the globalization of the economy, more and more people in the U.S. have foreign financial accounts. While there are many legitimate reasons to own foreign financial accounts, there are also responsibilities that go along with owning such accounts. Foreign account owners must remember that they may have to report their accounts to the government, even if the accounts do not generate any taxable income.

Who is required to report their foreign accounts to the government, and how do they do so? The Bank Secrecy Act requires U.S. persons who own a foreign bank account, brokerage account, mutual fund, unit trust, or other financial account to file a [Form TD F 90-22.1, Report of Foreign Bank and Financial Authority](#) (FBAR), if:

1. The person has financial interest in, signature authority, or other authority over one or more accounts in a foreign country, and
2. The aggregate value of all foreign financial accounts exceeds \$10,000 at any time during the calendar year.

A U.S. person is:

- A citizen or resident of the United States, or
- Any domestic legal entity such as a partnership, corporation, estate or trust.

A foreign country includes all geographical areas outside the United States, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the territories and possessions of the United States (including Guam, American Samoa, and the United States Virgin Islands). An account in an institution known as a "United States military banking facility" is not considered to be an account in a foreign country.

The FBAR is not an income tax return and should not be mailed with any income tax returns. The FBAR must be mailed on or before June 30 of the following year to:

U.S. Department of the Treasury  
P.O. Box 32621  
Detroit, MI 48232-0621

Unlike with federal income tax returns, requests for an extension of time to file an FBAR are not granted.

A person having signature or other authority over, but no financial interest in, a foreign financial account may be excepted from filing an FBAR if they are an officer or employee of a federally-regulated bank or a federally-regulated publicly traded corporation. See the FBAR instructions for more information about this exception.

Why is it important to file the FBAR? The FBAR is required because foreign financial institutions that do not conduct business in the United States may not be subject to the same reporting requirements that domestic financial institutions are subject to (such as the requirement to file a Form 1099 to report interest paid to an account holder). Although there are legitimate purposes for having a foreign account, the FBAR is a tool to help the U.S. government identify persons who may be using foreign financial accounts to circumvent U.S. law.

Such individuals may be participating in economic crimes such as income tax evasion or embezzlement, or they may be trying to fund other illegal activity like drug trafficking or even terrorist activities.

Also, there are serious consequences for foreign account holders who choose not to honor their FBAR filing requirements. Account holders who do not comply with the FBAR reporting requirements may be subject to civil penalties, criminal penalties or both.

For an FBAR violation occurring after Oct. 22, 2004, the maximum civil penalty for a willful violation of the FBAR reporting and recordkeeping requirements is the greater of \$100,000 or 50% of the balance in the account at the time of the violation. Non-willful violations can result in a penalty as high as \$10,000 for each violation. Criminal violations of the FBAR rules can result in a fine and/or five years in prison.

More information on FBAR filing exceptions can be obtained on the IRS Web site at [IRS.gov](http://IRS.gov), the Money Services Businesses' Web site at [www.msb.gov](http://www.msb.gov) and the Financial Crimes Enforcement Network's Web site at [www.fincen.gov](http://www.fincen.gov). Help in completing Form TD F 90-22.1 is available at 1-800-800-2877, option 2. The form is available online at [www.irs.gov](http://www.irs.gov) and [www.msb.gov](http://www.msb.gov) or may be ordered by telephone at 1-800-829-3676. Questions regarding the FBAR may also be sent to [FBARquestions@irs.gov](mailto:FBARquestions@irs.gov).