



News Release

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IRS Makes Settlement Offer to Certain Foreign Embassy Staff

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WASHINGTON — The Internal Revenue Service today encouraged U.S.-based employees and former employees of foreign embassies, foreign consular offices and international organizations to participate in a one-time settlement initiative to resolve tax matters related to their employment.

The offer is only open to U.S. citizens, green-card holders and foreign employees with a U.S. tax obligation. Accredited diplomatic personnel are generally exempt from income taxes on their wages under international treaties or agreements.

The IRS estimates that as many as half of the employees subject to U.S. tax either fail to report their wages, claim deductions they are not entitled to, incorrectly establish SEP/IRA retirement plans, fail to pay self-employment tax or fail to file tax returns at all.

The IRS is offering a settlement initiative for these employees which will expire on February 20, 2007. In order to participate in the initiative the employees must submit amended or original tax returns for tax years 2003, 2004 and 2005 which properly reflect their income and expenses.

Failure to act now could mean facing a costly audit process in the future. Foreign embassy, consular office or international organization employees who fail to come forward may be subject to IRS audits and penalties which could cover more than just three years.

The IRS is offering a settlement initiative for these workers if they come forward between now and February 20, 2007. Details about the offer can be found on the IRS Internet web site at www.irs.gov.