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The Foreign Bank Account Report (FBAR) requirement, enforced by the Internal Revenue Service (IRS), mandates that US citizens report their foreign financial accounts if the aggregate value exceeds \$10,000 at any time during the calendar year. While the intention behind FBAR is to curb tax evasion, its implementation disproportionately burdens ordinary Americans, fails to effectively target the wealthy, and imposes unnecessary tax compliance costs.

Firstly, FBAR primarily affects ordinary Americans who have overseas financial ties for legitimate reasons such as dual citizenship, international work assignments, or family connections abroad. Many of these individuals may not have the resources or expertise to navigate complex tax reporting requirements, leading to inadvertent non-compliance and penalties. The burden of FBAR falls heavily on expatriates, immigrants, and small business owners who may not be aware of their reporting obligations or find it challenging to comply due to language barriers or lack of access to tax professionals.

Secondly, FBAR imposes undue tax burdens and compliance costs on individuals who may have minimal tax liability. The process of gathering and reporting foreign financial information is time-consuming and may require hiring expensive tax professionals, especially for those with complex financial portfolios. Additionally, the penalties for FBAR violations are severe, with non-willful violations resulting in fines up to \$10,000 per violation and willful violations carrying civil penalties equal to the greater of \$100,000 or 50% of the account balance per violation. These penalties can be financially devastating for individuals with modest incomes or savings.

Furthermore, FBAR is ineffective in targeting the wealthy individuals who engage in offshore tax evasion. High-net-worth individuals and corporations have access to sophisticated tax planning strategies and offshore structures that enable them to conceal assets and income from tax authorities. They often utilize strategies such as shell companies, offshore trusts, and complex ownership structures to avoid detection. FBAR reporting requirements alone are insufficient to uncover these schemes, as they rely on self-reporting and do not provide the IRS with the necessary tools to detect and investigate tax evasion effectively.

In conclusion, the FBAR requirement disproportionately burdens ordinary Americans, imposes unnecessary tax compliance costs, and fails to effectively target wealthy individuals engaged in offshore tax evasion. Reforming FBAR regulations to streamline reporting requirements, provide relief for non-willful violations, and enhance IRS enforcement capabilities could help alleviate the burden on taxpayers while improving the effectiveness of combating offshore tax evasion.