
REPORTING FOREIGN BANK ACCOUNTS, RENTAL PROPERTIES, CORPORATIONS AND INCLUDING WORLDWIDE INCOME IN THE US TAX RETURNS UNDER FBAR

1. **What is FBAR?**

Foreign Bank Account Reporting.

2. **Who Must File an FBAR**

United States persons are required to file an FBAR if:

- a. The United States person had a financial interest in or signature authority over at least one financial account located outside of the United States; and
- b. The aggregate value of all foreign financial accounts exceeded \$10,000 (\$4, 50,000 INR) at any time during the calendar year to be reported.

United States person means United States citizens; United States residents (includes visa holders H1B, H4, L1B, L2, EAD, green card); entities, including but not limited to, corporations, partnerships, or limited liability companies created or organized in the United States or under the laws of the United States; and trusts or estates formed under the laws of the United States.

3. **How to Report and Filing Information**

A person who holds a foreign financial account may have a reporting obligation even though the account produces no taxable income. The FBAR is **not filed with the filer's federal income tax return**. The granting, by the IRS, of an extension to file federal income tax returns does not extend the due date for filing an FBAR. You may not request an extension for filing the FBAR. The FBAR must be received by the IRS on or before June 30, 2014 for year 2014 **being reported**.

4. **What if I do not report FBAR?**

Account holders who do not comply with the FBAR reporting requirements may be subject to civil penalties up to \$5,000 per account per year, criminal penalties up to 50% of the account balance per year, or both.

REPORTING FOREIGN BANK INTEREST, DIVIDENDS, RENTAL INCOME, CORPORATION INCOME, ETC.

5. **Do I have to show the Bank Interest & Dividends from a foreign bank account including my home country?**

Yes. When you file a resident tax return in USA, you are supposed to report your worldwide income. Whether you are a Citizen/Green Card holder/H1B/L1/EAD status, if you file 1040 resident tax return then you have to report worldwide income.

6. **What if we already paid taxes on those income in my home country?**

Still you have to report that income in your US tax return and claim Foreign Tax Credit for the taxes paid in a foreign country.

7. **Do I need to report my rental income from a foreign/home country?**

Rental Income from a foreign/home country should also be included in your US tax return. The rental Income will be calculated in the same manner for US rental income except a different depreciation rate. If you already paid Income Taxes for the rental income, you'll get a Foreign Tax Credit.

FORM 8938 REPORTING FOREIGN ASSETS UNDER FATCA RULES.

8. **Do I have to report my foreign/home country assets like House, Bank Accounts, Corporations in my 2014 US tax return?**

If you are unmarried taxpayer or married filing separate income tax returns filing a resident tax return Form 1040 and if the total value of your foreign assets is more than \$50,000 on the last day of the tax year or more than \$75,000 at any time during 2014, then you are supposed to file form 8938 along with your Tax Return.

If you are married taxpayer filing a Joint resident tax return Form 1040 and if the total value of your foreign assets is more than \$100,000 on the last day of the tax year or more than \$150,000 at any time during 2014, then you are supposed to file form 8938 along with your Tax Return.

If you are a Citizen or green card holder and resided abroad for more than 330 days during any period of 12 consecutive months in 2014, and filing a resident tax return Form 1040 and if you are not filing joint return, the total value of your foreign assets is more than \$200,000 on the last day of the tax year or more than \$300,000 at any time during 2014, and those filing joint total value of your foreign assets is more than \$400,000 on the last day of the tax

year or more than \$600,000 at any time during 2014, then you are supposed to file form 8938 along with your Tax Return.

9. **What to do when I receive IRS or State Notice?**

Please fax us your notice as soon as you received at **877-334-0712** or e-mail it to us at MKothari@SKTaxes.com. We preferred that you send your contact number and e-mail address with the notice. We will review your notice within **3 to 5 business days**. Notice reply would be considered as a separate engagement and the charges will depend upon subject matter of the notice and the time it takes to reply. We will need your direct debit authorization form before we start replying your notice.

10. **Record keeping for IRS.**

You should maintain supporting documents and cancelled checks for all deduction claimed in the tax return for at least 3 year from the due date of the tax return. Certain documents are required to be kept more than 3 years as well.

FOREIGN GIFT – REPORTING REQUIREMENTS.

11. **What are the reporting requirements for Foreign Gifts?**

If you are a U.S. person who received foreign gifts of money or other property, you may need to report these gifts on Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts. Form 3520 is an information return, not a tax return, because foreign gifts are not subject to income tax. However, there are significant penalties for failure to file Form 3520 when it is required.

The IRS may re-characterize purported gifts from foreign partnerships or foreign corporations as items of income that must be included in gross income. Additionally, gifts from foreign trusts are subject to different rules than gifts other foreign persons.

Reporting Requirements

You must file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, if, during the current tax year, you treat the receipt of money or other property above certain amounts as a foreign gift or bequest. Include on Form 3520:

- Gifts or bequests valued at more than \$100,000 from a nonresident alien individual or foreign estate (including foreign persons related to that nonresident alien individual or foreign estate); or
- Gifts valued at more than \$13,258 (adjusted annually for inflation) from foreign corporations or foreign partnerships (including foreign persons related to the foreign corporations or foreign partnerships).

You must aggregate gifts received from related parties. For example, if you receive \$60,000 from nonresident alien A and \$50,000 from nonresident alien B, and you know or have reason to know they are related, you must report the gifts because the total is more than \$100,000. Report them in Part IV of Form 3520. Treat gifts from foreign trusts as trust distributions you report in Part III of Form 3520.

File Form 3520 separately from your income tax return. The due date for filing Form 3520 is the same as the due date for filing your annual income tax return, including extensions. You file an annual Form 3520 for all reportable foreign gifts and bequests you receive during the taxable year. See the Instructions for Form 3520 for additional information.

Under a new law effective June 17, 2008, gifts from individuals who ceased to be a U.S. citizens or green card holders (lawful permanent residents) on or after June 17, 2008 may be subject to special rules.

Penalties for Failure to File Form 3520

You may be penalized if you do not file your Form 3520 on time or if it is incomplete or inaccurate. Generally, the penalty is 5% of the amount of the foreign gift for each month for which the failure to report continues (not to exceed a total of 25%).