



The IRS Streamlined Filing Compliance Procedures

If you have foreign bank accounts, foreign income, or other overseas financial ties you did not know you had to report, you are not alone. The IRS built a formal path back to compliance for exactly this situation: the Streamlined Filing Compliance Procedures. Used correctly, they let you catch up on unreported foreign income and unfilled information returns, often without the steep penalties that normally come with getting this wrong. Here is what the procedures cover and how they work.

Who the Procedures Are For

The streamlined procedures are available to individual taxpayers, and to estates on behalf of a deceased individual, who failed to report foreign financial assets and pay the tax due on them. To qualify, you need to meet a few conditions:

- **Your conduct must have been non-willful.** You must certify that your failure to report was due to negligence, inadvertence, a mistake, or a good faith misunderstanding of the law, not an intentional effort to hide assets from the IRS.
- **You cannot be under IRS examination or criminal investigation.** The procedures are meant for people coming forward voluntarily, not for those already being audited or investigated.
- **You need a valid taxpayer identification number.** That means a Social Security number, an ITIN, or a pending ITIN application.
- **Prior disclosures can limit your options.** If you already made a quiet disclosure outside the IRS Offshore Voluntary Disclosure Program, you can still use the streamlined procedures, but you will not receive penalty relief for amounts already assessed. If you submitted to OVDP on or after July 1, 2014, you are not eligible for the streamlined procedures at all.

Two Tracks, Depending on Where You Live

Which version of the procedures applies to you depends on your residency, not your citizenship.

- **Streamlined Foreign Offshore Procedures.** This track is for taxpayers who meet a non-residency test. U.S. citizens and lawful permanent residents qualify if, in at least one of the last three years, they had no U.S. abode and were physically outside the



United States for at least 330 full days. Non-citizens qualify if they did not meet the substantial presence test in at least one of those years. This track carries no miscellaneous offshore penalty at all.

- **Streamlined Domestic Offshore Procedures.** This track is for taxpayers who do not meet the non-residency test, generally because they live in the United States. It requires a Title 26 miscellaneous offshore penalty, discussed below, but it still avoids the failure-to-file, failure-to-pay, accuracy-related, and information return penalties that would otherwise apply.

What You Need to File

- **Three years of tax returns.** You file amended returns (or original delinquent returns, if none were filed) for the most recent three years for which the filing deadline, including extensions, has passed. These include any required information returns, such as Forms 3520, 5471, and 8938, that were previously missed.
- **Six years of FBARs.** You file delinquent FinCEN Form 114 reports, electronically through FinCEN, for the most recent six years for which the FBAR deadline has passed.
- **A signed certification.** You complete and sign Form 14653 (Foreign Offshore) or Form 14654 (Domestic Offshore), explaining the specific facts behind your non-willful conduct. This certification is the heart of the submission, and it needs to be accurate and complete.
- **Payment of tax, interest, and any penalty due.** Full payment is submitted with the package, along with the returns marked in red at the top with the applicable procedure name.

The Miscellaneous Offshore Penalty (Domestic Track Only)

If you file under the Domestic Offshore Procedures, you owe a one-time penalty equal to 5 percent of the highest aggregate balance or value of your foreign financial assets during the years covered by the returns and FBARs. That figure is calculated by combining the year-end balances of every foreign financial asset across the covered years and taking the single highest total. There is no separate FBAR penalty, accuracy-related penalty, or information return penalty layered on top. Taxpayers who qualify for the Foreign Offshore track avoid this penalty entirely, which is one of the biggest reasons the residency test matters.



What Happens After You File

Streamlined submissions receive standard IRS processing. There is no special review track, no automatic acknowledgment letter, and no closing agreement confirming the matter is resolved. Your filing remains subject to the normal audit process, and the IRS can still verify the information, assess additional tax, or pursue further penalties if something in the submission does not hold up. Penalties assessed before you entered the streamlined procedures are not abated. This makes accuracy in the certification and the underlying returns essential, since the procedures reward a complete and honest correction, not a partial one.

Why This Is Worth Doing Carefully

The streamlined procedures can meaningfully reduce or eliminate penalties for people who made an honest mistake, but the certification of non-willfulness is a serious statement made under penalty of perjury, and getting the residency test, the asset valuations, or the years covered wrong can undo the benefit you were seeking. If you think you may have unreported foreign accounts or income, the right first step is a careful review of your facts before anything is filed, not after.

Crossbridge Global Tax works with individuals and families navigating exactly this kind of cross-border compliance issue. If you would like help determining whether the streamlined procedures fit your situation and putting together an accurate submission, we are glad to talk it through with you.