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## FOREIGN INVESTMENT ACCOUNTS

**FOREIGN ACCOUNT REPORTING.** As more clients receive income from foreign and off-shore accounts, Foreign Bank and Financial Account Reporting (FBAR) will be required for more individuals.

**SCHEDULE B ASKS** if you have “an interest in or a signature or other authority over a financial account in a foreign country”. If the account(s) balance(s) exceeded \$10,000 at any time during the year you must file - - -

**FIN CEN FORM 114** describing the accounts, income, etc. This form was formerly TDF 90.22-1. The form is an electronic form which is NOT filed with Form 1040. Form deadline is June 30 not April 15. Practitioners can e-file the form for their clients provided they get written authorization from the clients on Fin CEN Form 114a.

**BITCOIN.** IRS spokesperson declared in a 6/4/14 webinar that US taxpayers are not required to report Bitcoin on Form 114, “at least for this filing season” (referring to 2013 returns). He warned that as the IRS continues to scrutinize the currency the policy could shift. On 5/10/14, another IRS spokesperson said that IRS is putting virtual currency under the microscope.

**ADDITIONAL REPORTING OF SPECIFIED FINANCIAL ASSETS IS REQUIRED ON FORM 8938** for years beginning after 3/18/2010. These assets include foreign stocks, notes, and financial instruments if not held in an account at a U.S. financial institution. This is in addition to Fin CEN Form 114 described above. For more information, see Form 8938 on page 300.



### RECENT TAX COURT CASE

#### FACTS

Hon was online gambler who held accounts at two online poker companies. Used Firepay.com for transferring monies to facilitate his gambling. Were the 3 accounts with the entities “bank, securities or other financial accounts” that must be reported on a FBAR? Was each of the 3 accounts in a foreign country?

#### RULING

The Court answered “Yes” to both questions and assessed Hon with civil penalties of \$30,000 in 2006 (\$10,000 for each of 3 accounts) and \$10,000 in 2007 for his one remaining account. (*US v Hon U.S. Distr Lexis 77489( N.D. CA 6/9/2014)*)