



Income from Abroad is Taxable

Many United States (U.S.) citizens and resident aliens receive income from foreign sources. There have been recent reports about the interest of the Internal Revenue Service (IRS) in taxpayers with accounts in Liechtenstein. The interest of the IRS, however, extends beyond accounts in Liechtenstein to accounts anywhere in the world. Consequently, the IRS reminds you to report your worldwide income on your U.S. tax return.

If you are a U.S. citizen or resident alien, you must report income from all sources within and outside of the U.S. This is true whether or not you receive a Form W-2 Wage and Tax Statement, a Form 1099 (Information Return) or the foreign equivalents. See [Publication 525, Taxable and Nontaxable Income](#), for more information.

Additionally, if you are a U.S. citizen or resident alien, the rules for filing income, estate and gift tax returns and for paying estimated tax are generally the same whether you are living in the U.S. or abroad.

Hiding Income Offshore

Not reporting income from foreign sources may be a crime. The IRS and its international partners are pursuing those who hide income or assets offshore to evade taxes. Specially trained IRS examiners focus on aggressive international tax planning, including the abusive use of entities and structures established in foreign jurisdictions. The goal is to ensure U.S. citizens and residents are accurately reporting their income and paying the correct tax.

Foreign Financial Accounts

In addition to reporting your worldwide income, you must also report on your U.S. tax return whether you have any foreign bank or investment accounts. The Bank Secrecy Act requires you to file a Report of Foreign Bank and Financial Accounts (FBAR) (FinCEN Form 114, previously Form TD F 90-22.1),

- You have financial interest in, signature authority, or other authority over one or more accounts in a foreign country, and
- The aggregate value of all foreign financial accounts exceeds \$10,000 at any time during the calendar year.

More information on foreign financial account reporting requirements is in News Release [FS-2007-15, Foreign Financial Accounts Reporting Requirements](#) and [Publication 4261, Do You have a Foreign Financial Account? \(PDF\)](#)

Consequences for Evading Taxes on Foreign Source Income

You will face serious consequences if the IRS finds you have unreported income or undisclosed foreign financial accounts. These consequences can include not only the additional taxes, but also substantial penalties, interest, fines and even imprisonment.

Reporting Promoters of Off-Shore Tax Avoidance Schemes

The IRS encourages you to report promoters of off-shore tax avoidance schemes. Whistleblowers who provide allegations of fraud to the IRS may be eligible for a reward by filing Form 211, Application for Award for Original Information, and following the procedures outlined in Notice 2008-4, Claims Submitted to the IRS Whistleblower Office under Section 7623.

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