Vol. 66, April 2011 **HAPPY EASTER**

TAX LETTER

Two Important Reporting Issues

Please accept our apology for skipping the March 2011 issue and for the late completion of our April letter.

Recently, there are two very important reporting issues which we believe you would like to be informed. These issues are : (1) The expanded 1099 reporting issue, and (2) The expended "Foreign Financial Asset" reporting issue.

(I) Expanded 1099 Reporting Issue

As part of the Health Reform Act passed and signed into law in 2009, the 1099 reporting requirement had been vastly expanded to cover almost every payments including payments made to major corporations. Citizens from all walks of life demanded their Congressional Representatives to repeal such unreasonable burden.

Finally, the Bill (H.R. 4) was passed by both the House and the Senate, and was signed into law by the President on April 14, 2011 to repeal the unreasonable and burdensome 1099 reporting provisions enacted as part of the Health Reform 2009.

H.R. 4 is not just a great relief for all citizens, it is the only straight forward and simple legislation passed and signed by a President during the past 20+ years. It consists of only two (2) pages.

(II) Expanded "Foreign Financial Asset" Reporting Issue

As far as this issue is concerned, Citizens of this great country are not as lucky as the 1099 issue. We shall be doomed and burdened by this expanded reporting requirement for years to come.

For a long period of time, we are required to annually report only Foreign Accounts, such as foreign bank accounts and foreign investment accounts, on a simple form known as TD90-22.1. As of January 1, 2011, under the 2010 HIRE Act (P.L. 111-147), we are required to report annually all "Foreign Financial Assets". At the time of this writing, the IRS has not come up with a **comprehensive instruction** and all the necessary forms required for this reporting mandate.

Foreign Financial Assets are defined to include all foreign financial assets owned or held directly and/or indirectly by US Citizens, Residents and Entities. Foreign financial assets include but not limited to bank accounts, investment accounts, Debit and/or Prepaid Card accounts, any ownership interest in foreign entities and foreign investments. Foreign entities could be foreign corporations, foreign partnerships, foreign LLC's or their equivalents, and foreign sole proprietorships. The required reports should be submitted annually on or before June 30 of the following year on Form TD90-22.1 and any other special forms designed and required by the IRS. Most of these required forms and/or disclosures must be filed with the IRS as attachments to the regular income tax returns

For any US person who failed to report the required items in the past years, from 2003 to 2010 (a total of 8 years), if applicable, should participate in the " Financial Voluntary Disclosure Initiative 2 " by reporting directly to the IRS via a complete make-up package on or before August 31, 2011. Amended tax returns and payments of back taxes and estimated penalties should accompany such make-up reporting packages. Depending upon circumstances, most of the Voluntary Disclosure Initiative participants will be assessed certain financial penalties equal to 12.5% and/or 25% on appropriate maximum value of the accounts involved. The only benefit for voluntary participation is the avoidance of prosecution.

Any questions and/or further discussion, please give us a call at 415-381-0681.

Sincerely

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An Accountancy Corporation