

IRS TARGETS EMPLOYEES OF FOREIGN EMBASSIES AND INTERNATIONAL ORGANIZATIONS

December 15, 2006

by Alice A. Joseffer

According to the IRS, a significant number of employees and former employees of foreign embassies, foreign consular offices, and international organizations in the United States fail to fulfill their U.S. income tax responsibilities. As a result, the IRS is offering a one-time settlement initiative to eligible individuals who notify the IRS by February 20, 2007, of their intent to participate in the initiative. The settlement initiative provides some relief from penalties as well as other benefits. Participants will be required to provide, among other things, an official statement from their employer (or former employer) to verify the correct amount of gross income received from the employer.

Sometimes employees do not realize certain types of income are subject to tax regardless of the immigration status of the individual. Also, some individuals are uncertain when tax status under G-4 immigration status ends. Taxation of retirement benefits and eligibility for certain retirement plans are additional areas of confusion and noncompliance. The settlement initiative is an incentive to address and resolve the issues, but prompt action is required.

Practices & Industries

Business Tax

International Tax