

FULL STORY

A&W Attorney, Manuel "Mike" Garcia, successfully utilized the "*reasonable cause defense*" in an FBAR examination by IRS after having recommended that the clients "opt-out" of 2011 OVDI to save almost \$600,000 in OVDI fines. The large international law firm in California that was helping clients through the IRS 2011 Offshore Voluntary Disclosure Initiative Program ("2011 OVDI") strongly recommended against clients "opting-out" of 2011 OVDI because it predicted that the resulting FBAR examination would culminate in a \$3.4 million FBAR penalty against the clients. However, after completing its FBAR examination, the IRS agreed with Mr. Garcia. Despite clients having signed income tax returns incorrectly stating (in Schedule B, Form 1040) that taxpayers had no foreign bank accounts, the IRS determined that there was "*reasonable cause*" for taxpayers' failure to file the FBAR form every year for years 2007-2009 in violation of the Bank Secrecy Act. Therefore, the IRS stated in its February 2014 letter to taxpayers that no FBAR penalty at all would be asserted against these A&W clients.