FBAR, FATCA & Cross-Border Reporting Basics

Financial Asset and Foreign Account Reporting for Individuals with Cross-Border Assets

Holding financial accounts or owning business assets across borders provides flexibility, but it triggers unique disclosure requirements under U.S. transparency laws. The United States enforces two primary international reporting regimes to monitor offshore accounts and assets: the Report of Foreign Bank and Financial Accounts (FBAR) and the Foreign Account Tax Compliance Act (FATCA). This educational guide explains the distinct purposes of these disclosures, high-level filing considerations, and why coordinated cross-border compliance is critical.

Who This Guide is For: U.S. citizens, green card holders, resident aliens, and dual citizens who own Colombian bank accounts, investment portfolios, pension funds, or corporate assets.

1. Reporting vs. Tax Return Filing

A critical first step is understanding the difference between reporting foreign assets and filing a standard tax return. International disclosure forms, such as the FBAR, are primarily informational. Filing these forms does not mean you owe tax on the assets. Their sole purpose is to provide transparency to the U.S. government regarding offshore holdings. However, if those accounts generate income (such as interest, dividends, or rental revenues), that income must also be declared on your annual U.S. federal income tax return (Form 1040).

2. FBAR Rules and Aggregate Foreign Accounts

The FBAR (FinCEN Form 114) is a mandatory disclosure for any U.S. person who has a financial interest in, or signature authority over, one or more financial accounts located outside the United States. This includes checking, savings, brokerage, mutual funds, or certain pension accounts in Colombia. A filing is required if the aggregate maximum value of all these foreign financial accounts exceeds $10,000 USD at any point during the calendar year. "Aggregate" means you must add together the maximum values of all accounts; if the sum exceeds $10,000, every account must be disclosed.

3. FBAR Submission and Recordkeeping

The FBAR must be submitted electronically through the Financial Crimes Enforcement Network (FinCEN) secure online platform, the BSA E-Filing System (bsaefiling.fincen.gov). Individual taxpayers do not need to register for an institution account to file. The annual deadline is April 15, with an automatic extension to October 15 (no formal extension application is required). By law, taxpayers must retain FBAR-related records—including bank names, account numbers, and maximum balances—for a minimum of five years from the filing due date.

4. FATCA and IRS Form 8938

Under the Foreign Account Tax Compliance Act (FATCA), certain U.S. taxpayers must report their "specified foreign financial assets" on Form 8938, which is attached directly to their annual federal income tax return (Form 1040). Specified assets include not only foreign bank accounts but also direct stock ownership in foreign companies (such as a Colombian S.A.S.), interests in foreign partnerships, and foreign financial contracts. The reporting thresholds for Form 8938 are significantly higher than the FBAR limit and vary based on whether you reside in the U.S. or abroad.

5. Form 8938 Reporting Thresholds (Verify Annually)

The statutory thresholds for Form 8938 depend on your filing status and whether your tax home is in the U.S. or overseas. For instance, single taxpayers residing abroad typically face a threshold of holding specified assets valued over $200,000 USD on the last day of the tax year (or $300,000 at any point during the year). These thresholds are substantially lower for U.S. residents and are doubled for married couples filing jointly. Because these statutory thresholds, filing definitions, and asset valuations are complex, you should verify current rules with a qualified professional.

6. Coordinated Cross-Border Compliance

If you are managing finances in both Colombia and the United States, keeping your disclosures aligned is essential. Information reported locally on your Colombian tax return (Formulario 210 or 110) must correspond to the income and asset values declared on your U.S. return (Form 1040, FBAR, and Form 8938). For example, a business operating under a Colombian S.A.S. must be reported properly to the IRS. Coordinated planning ensures you claim eligible Foreign Tax Credits (Form 1116) to prevent double taxation while maintaining full transparency with both the IRS and the DIAN.

Practical Compliance Checklist

- **Inventory Colombian Accounts:** Compile a complete list of all foreign checking, savings, investment, and pension accounts.
- **Audit Monthly Bank Statements:** Identify the maximum balance in Colombian Pesos (COP) reached in each account at any point during the year.
- **Apply Treasury Exchange Rates:** Convert your maximum COP balances to USD using the official U.S. Treasury end-of-year exchange rates.
- **Check Aggregate Thresholds:** Add your maximum account values together to determine if your global accounts exceeded $10,000 USD.
- **Submit FinCEN Form 114:** If required, complete and submit your FBAR through the BSA E-Filing portal before the extended October deadline.
- **Assess Corporate & Private Assets:** Review non-account assets, such as shares in a S.A.S. or foreign partnership interests, to see if they meet Form 8938 thresholds.

Common Mistakes to Avoid

- **Believing FBAR is only for taxable interest:** Failing to report an account because it does not generate interest or taxable income. Reporting is based strictly on asset value, not yield.
- **Confusing FBAR and Form 8938:** Assuming that filing one satisfies the other. FBAR (FinCEN Form 114) and FATCA (Form 8938) are distinct reports submitted to different federal entities.
- **Failing to report signature authority:** Neglecting to disclose bank accounts over which you have signature authority (like corporate, employer, or trust accounts) even if you have no personal interest in the funds.
- **Using unofficial exchange rates:** Converting your balances using tourist or random online exchange calculators instead of the official end-of-year Treasury department average rates.
- **Failing to maintain records:** Discarding bank records or failing to secure statements. FBAR recordkeeping laws mandate keeping account records for a minimum of five years.

When to Schedule a Free Consultation

Navigating cross-border financial compliance requires careful coordination to keep your reporting consistent across jurisdictions. Schedule an educational consultation if you need help aggregating and converting your Colombian account balances, are unsure if your Colombian company shares (S.A.S.) trigger specialized disclosure filings, or want to establish a reliable, dual-country disclosure workflow.

Schedule a free consultation with Colombia International Lawyers.

Disclaimer: This guide is for general informational purposes only. It is not legal, tax, or accounting advice and does not create an attorney-client, tax-client, or professional relationship. You should consult a qualified professional about your specific situation.

Sources Used:

• About Form 8938, Statement of Specified Foreign Financial Assets | Internal Revenue Service
• BSA E-Filing System - Welcome to the BSA E-Filing System
• How Do I File the FBAR? | FinCEN.gov
• Report of Foreign Bank and Financial Accounts (FBAR) | Internal Revenue Service
• Publication 54 (12/2025), Tax Guide for U.S. Citizens and Resident Aliens Abroad | Internal Revenue Service
• Publication 514 (2025), Foreign Tax Credit for Individuals | Internal Revenue Service
• Renta 2025 Personas Naturales: Todo lo que debe saber | Dirección de Impuestos y Aduanas Nacionales (DIAN)