

# Form 8621 Mistakes Are Triggering IRS Problems for Global Investors

VIRGINIA BEACH, VA, UNITED STATES,  
February 25, 2026 /EINPresswire.com/

-- Failing to disclose ownership of a Passive Foreign Investment Company (PFIC) to the Internal Revenue Service can come back to haunt

you—sometimes many years later.

Over time, the IRS has embedded a number of significant “gotchas” into the tax code, and the annual PFIC

reporting requirement is one of the most serious. In effect, the U.S. government can place its foot in the door of your tax return and prevent the statute of limitations from ever closing.

Internal Revenue Code §1298(f) is deliberately broad:

According to Mary Beth Lougen of [Expat Tax Tools](#) “Except as otherwise provided by the Secretary, each United States person who is a shareholder of a passive foreign investment company shall file an annual report containing such information as the Secretary may require.” To satisfy this requirement, the IRS created [Form 8621](#), which must be filed annually by U.S. persons who own PFICs, such as foreign mutual funds or foreign ETFs. If a taxpayer fails to file Form 8621 when required—or files a form that is inaccurate or incomplete—the statute of limitations for assessing tax on the entire tax return remains open indefinitely. This consequence is clearly spelled out in Internal Revenue Code §6501(c)(8)(A), which provides that when required information under sections including §§1295(b) and 1298(f) is not properly reported, the IRS has at least three years from the date the correct information is furnished to assess tax. Until that happens, the statute of limitations does not begin to run.

Mary Beth also suggests a taxpayer consider the real-world implications. If the IRS audits a tax return and discovers unreported PFIC ownership for the year under examination, it can reopen prior years—potentially going back as far as it chooses. Worse still, the IRS is not limited to assessing tax related only to the PFIC. It may assess tax on anything reported on those open returns. For many taxpayers, this is a genuinely unsettling prospect.

Adding to the confusion, many taxpayers do not realize that even if they are not otherwise required to file a U.S. income tax return, a taxpayer may still be required to file Form 8621 if they



Form 8621 Calculator

meet the PFIC reporting thresholds. The filing obligation exists independently of a tax return filing requirement.

So how can a taxpayer determine whether they have an annual obligation to file Form 8621—or whether prior filings were done correctly?

The IRS will not accept “A taxpayer used a professional” or “A taxpayer used software” as a defense. The responsibility for every number and every form filed rests with the taxpayer. Unfortunately, many tax preparers, Enrolled Agents, and even CPAs do not regularly work in this specialized area of U.S. international taxation and may not fully understand the PFIC rules or calculations.

Mary Beth states "According to IRS estimates, it takes approximately 11 hours and 24 minutes just to learn the PFIC rules, plus an additional 20 hours and 34 minutes to prepare each Form 8621. This is not an area for guesswork or shortcuts."

Also in the age of AI Mary Beth cautions that "Taxpayers should seek out true subject-matter experts. Be cautious of copy-cat software or AI-generated tools developed by non-tax professionals. Transparency matters. Companies that deliberately obscure the identity of their owners or programmers through privacy-shielding services may not want you to know who is responsible for the work—and there is often a reason for that."

Mary Beth Lougen is a subject matter expert on PFICs and COO of Expat Tax Tools which is a niche software company specializing exclusively in PFIC reporting. Its Form 8621 Calculator™ software is written by tax experts for tax experts and supports both Form 8621 DIY solutions and professional form preparation services for international taxpayers. When it comes to PFIC compliance, use professionals who know the rules—and understand the consequences of getting them wrong.

Mary B. Lougen  
Expat Tax Tools- Form 8621 Calculator™  
+1 613-691-8621 ext. 1

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