UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

United States v. Reyes

No. 24-2333 (2d Cir. Jan. 7, 2026) · No. 24-2333 · Decided January 7, 2026

SUMMARY

The United States Court of Appeals for the Second Circuit affirmed summary judgment imposing civil penalties on Juan and Catherine Reyes for willfully failing to file FBARs concerning a jointly held foreign bank account. The court held that "willful" under 31 U.S.C. § 5321(a)(5)(C) encompasses reckless conduct and that the undisputed evidence established recklessness. The court also held that a six percent late-payment penalty under 31 U.S.C. § 3717(e)(2) and applicable Treasury regulations was mandatory.

CASE DETAILS

COURT	United States Court of Appeals for the Second Circuit
WRITING FOR THE COURT	Lewis J. Liman; José A. Cabranes; Steven J. Menashi
JURISDICTION	United States Court of Appeals for the Second Circuit
DECIDED	January 7, 2026
DOCKET	24-2333
DISPOSITION	affirmed
PROCEDURAL POSTURE	Defendants appealed from the Eastern District of New York's orders granting the United States summary judgment in an action to reduce civil FBAR penalties to a money judgment and imposing additional late-payment penalties.
STANDARD OF REVIEW	De novo review of summary judgment and questions of statutory and regulatory interpretation, construing the evidence in the light most favorable to the party opposing summary judgment.
PRECEDENTIAL VALUE	Published, precedential Second Circuit opinion
PARTIES	Juan Reyes, Catherine Reyes v. United States of America

TOPICS

tax penalties · tax · summary judgment · statutory interpretation · appellate procedure

PRACTICE AREAS

tax | tax penalties | civil procedure | appellate procedure

QUESTIONS PRESENTED

1. Whether the term "willfully" in 31 U.S.C. § 5321(a)(5)(C) encompasses reckless conduct for purposes of enhanced civil FBAR penalties.
2. Whether the undisputed evidence established that the Reyeses acted recklessly, permitting summary judgment for the United States.
3. Whether the district court had discretion to impose less than the six-percent late-payment penalty established by Treasury regulations under 31 U.S.C. § 3717(e)(2).

HOLDINGS

1. In the civil FBAR-penalty context, "willfully" encompasses both intentional and reckless conduct; a person who recklessly fails to report a foreign account may be subject to enhanced penalties.
2. The undisputed evidence established that the Reyeses acted recklessly in failing to file FBARs for 2010, 2011, and 2012, and no genuine dispute of material fact precluded summary judgment.
3. The district court correctly imposed the six-percent late-payment penalty because Treasury regulations set the applicable rate at six percent per year within the authority granted by 31 U.S.C. § 3717(e)(2).

KEY QUOTATIONS

> *"But the Court now holds, in line with the uniform decisions of the circuit courts that have addressed the issue, that "willfully" as used in 31 U.S.C. § 5321(a)(5)(C) encompasses both intentional and reckless conduct."* (14)

> *"The standard for recklessness in the civil context is an objective one, which imposes civil liability for conduct entailing "an unjustifiably high risk of harm that is either known or so obvious that it should be known.""* (17)

> *"The Reyeses, unhappy with that result, do not get an opportunity to challenge the Treasury Department's assessment of the appropriate penalty by the mere contrivance of not paying and waiting for a lawsuit."* (27)

FACTUAL BACKGROUND

Juan and Catherine Reyes jointly held a Swiss foreign bank account that contained more than two million dollars during the relevant years and represented approximately 75% to 90% of their total assets. They used linked foreign credit cards, instructed the bank not to send account correspondence to their United States address, selected an option restricting disclosure concerning U.S. withholding tax, and did not disclose the account to their accountant or on their tax returns. The IRS assessed enhanced civil penalties for willful FBAR violations, and the Reyeses did not pay the assessed amounts.

PROCEDURAL HISTORY

The IRS assessed civil penalties against Juan and Catherine Reyes for willfully failing to file FBARs for 2010, 2011, and 2012. After the Reyeses failed to pay, the United States sued in the Eastern District of New York to obtain a money judgment. The district court granted summary judgment to the United States, entered judgment for the penalties plus interest, and later rejected the Reyeses' challenge to a six-percent late-payment penalty. The Second Circuit affirmed.

DISPOSITION

affirmed

CASES CITED

- Horn v. Medical Marijuana, Inc., 80 F.4th 130, 135 (2d Cir. 2023)
- Monti v. United States, 223 F.3d 76, 81 (2d Cir. 2000)
- Ratzlaf v. United States, 510 U.S. 135, 141 (1994)
- Spies v. United States, 317 U.S. 492, 497 (1943)
- Safeco Insurance Co. of America v. Burr, 551 U.S. 47, 57-69 (2007)
- Beck v. Prupis, 529 U.S. 494, 500-01 (2000)
- McLaughlin v. Richland Shoe Co., 486 U.S. 128, 132-33 (1988)
- Trans World Airlines, Inc. v. Thurston, 469 U.S. 111, 125-26 (1985)
- United States v. Hughes, 113 F.4th 1158, 1161-62 (9th Cir. 2024)
- Bedrosian v. U.S. Department of the Treasury, IRS, 912 F.3d 144, 152-53 (3d Cir. 2019)
- United States v. Horowitz, 978 F.3d 80, 88-90 (4th Cir. 2020)
- United States v. Kelly, 92 F.4th 598, 603-05 (6th Cir. 2024)
- United States v. Rum, 995 F.3d 882, 889-90 (11th Cir. 2021) (per curiam)
- Kimble v. United States, 991 F.3d 1238, 1242 (Fed. Cir. 2021)
- United States v. Granda, 565 F.2d 922, 926 (5th Cir. 1978)
- Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 252 (1986)
- Novak v. Kasaks, 216 F.3d 300, 308 (2d Cir. 2000)
- Rolf v. Blyth Eastman Dillon & Co., Inc., 570 F.2d 38, 47 (2d Cir. 1978)
- Chill v. General Electric Co., 101 F.3d 263, 269 (2d Cir. 1996)
- United States v. Carrigan, 31 F.3d 130, 134 (3d Cir. 1994)
- Hayman v. Commissioner, 992 F.2d 1256, 1262 (2d Cir. 1993)
- United States v. Gentges, 531 F. Supp. 3d 731, 750 (S.D.N.Y. 2021)
- Rocha v. Bakhter Afghan Halal Kababs, Inc., 44 F. Supp. 3d 337, 348 (E.D.N.Y. 2014)
- United States v. Bittner, 19 F.4th 734, 741-43 (5th Cir. 2021)
- Loper Bright Enterprises v. Raimondo, 603 U.S. 369 (2024)