

Schemes with international elements

Offshore accounts and digital assets: The IRS continues to scrutinize attempts to hide assets in offshore accounts and accounts holding digital assets, such as cryptocurrency. The IRS continues to identify individuals who attempt to conceal income in offshore banks, brokerage accounts, digital asset accounts and nominee entities. Asset protection professionals and unscrupulous promoters continue to lure U.S. persons into placing their assets in offshore accounts and structures saying they are out of reach of the IRS. These assertions are not true. The IRS can identify and track anonymous transactions of foreign financial accounts as well as digital assets.

Maltese individual retirement arrangements misusing treaty: These arrangements involve U.S. citizens or residents who attempt to avoid U.S. tax by contributing to foreign individual retirement arrangements in Malta (or potentially other host countries). The participants in these transactions typically lack any local connection to the host country. By improperly asserting the foreign arrangement as a "pension fund" for U.S. tax treaty purposes, the U.S. taxpayer misconstrues the relevant treaty provisions and improperly claims an exemption from U.S. income tax on gains and earnings in and distributions from the foreign individual retirement arrangement.

Puerto Rican and foreign captive insurance: U.S. business owners of closely held entities participate in a purported insurance arrangement with a Puerto Rican or other foreign corporation in which the U.S. business owner has a financial interest. The U.S. business owner (or a related entity) claims a deduction for amounts paid as premiums for "insurance coverage" provided by a fronting carrier, which reinsures the "coverage" with the Puerto Rican or other foreign corporation. Despite being labeled as insurance, these arrangements lack many of the attributes of legitimate insurance.