The Bankler Report

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INTRODUCTION

Late breaking tax news!

Haiti Disaster Relief

On January 21, 2010, both houses of Congress unanimously passed and President Obama will sign into law when it reaches the White House.

Basically, the new law permits taxpayers to claim 2009 charitable deductions for donations they make for the Haiti disaster. Individuals who make contributions to qualified charitable organizations after January 11, 2010 and before March 1, 2010 may claim these contributions on either their 2009 or 2010 federal income tax returns.

IRS forms new group

The Commissioner of the IRS recently announced the formation of a new IRS group. Currently, the IRS assigns all individual taxpayers to a particular division (either Wage & Investments or Small Business Self-Employed) for purposes of audits, collections, etc. This new division is the Global High Wealth Industry group, which will be housed in the Large and Mid-Size Business division. The Commissioner stated the purpose of forming this group:

"Now, high wealth individuals are not your typical Form 1040 filers with a W-2, some 1099 income, and maybe a Schedule C enclosed with their return. And you cannot assess compliance among the nation's wealthiest individuals by looking only at their 1040s. Their tax picture is much more complicated than this.

For a variety of reasons – including valid business reasons – many high wealth individuals make use of sophisticated financial, business, and investment arrangements with complicated legal structures and tax consequences. Many of these arrangements are entirely above board. Others mask aggressive tax strategies.

And let me give you a flavor of these complex financial arrangements. They may include trusts, real estate investments, royalty and licensing agreements, revenue-based or equity-sharing arrangements, private foundations, privately-held companies, and partnerships and other flow-through entities that require looking at the entire, and often huge, spectrum of transactions and entities. A single high wealth individual may have actual or beneficial ownership of numerous related entities, sometimes alone and sometimes along with other family members or business associates.

And there are other tax considerations regarding high wealth individuals, including international sourcing of income and tax residency, and offshore structures and bank accounts, to name just a few."

The IRS will be devoting additional resources to this group, including using agents with additional training who are familiar with auditing large businesses with complex structures.

Steven Bankler, CPA 9901 IH 10 W, Suite 670 San Antonio TX 78230 (210) 691-3133
steven@bankler.com www.bankler.com Fax (210) 691-3233