
The New IRS Wealth Squad Is Coming in 2010 - Are You Ready?



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In a speech before the American Institute of CPAs (AICPA) IRS Commissioner Douglas Shulman announced the formation of a new unit, dubbed the “Global High Wealth Industry Group” which will focus the IRS’s attention on the country’s wealthiest individuals and their business entities. The group’s scope will go beyond screening tax returns, but will “take a unified look at the entire web of business entities controlled by high-wealth individuals, which will enable us to better assess the risks such arrangements pose to tax compliance and the integrity of our tax system,” according to Shulman.

The IRS has begun hiring agent specialists for this wealth squad, including auditors, specialists, international examiners and plans to have more staff, including economists, appraisal experts and technical advisors.



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Initially, the IRS will be looking for individuals with “tens of millions of dollars of assets or income” focusing on net worth or assets, as opposed to just income, exposes business owners, real estate developers and anyone with significant investment assets. As for the types of assets that may attract attention, they may include trusts, real estate investments, royalty and licensing agreements, revenue-based or equity-based arrangements, private foundations, privately held companies and partnerships and other passthrough entities which require looking at the entire, and often new 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.

In addition, the IRS will consider international source income and tax residency and corporate structures and bank accounts. This would include individuals with dual citizenship and assets in other countries. On December 10, 2009, Commissioner Schulman announced that the IRS was working with tax collection agencies in other countries to conduct joint audits of multinational taxpayers. Athletes, entertainers and successful business owners, as well as expatriates, are more likely to hear from the new IRS unit due to their often sizeable income and substantial assets and the fact that some of their income will come from outside of the United States.

If you fall into this group, it is important to consider whether you are prepared for a detailed examination by this Global High Wealth Industry Group and if you are targeted, whether you have the right team to assist you. Our Tax and Family Wealth and Exempt Organizations practice groups are uniquely qualified to assist high net worth individuals in defending themselves and their assets from this new IRS Wealth Squad. Preparation and planning are the best defense.