

Publications

IRAlert: Abusive IRAs Make The IRS' "Dirty Dozen" Tax Schemes

ATTORNEYS & PROFESSIONALS

Elizabeth Thomas Dold

edold@groom.com

202-861-5406

Lars Golumbic

lgolumbic@groom.com

202-861-6615

David Levine

dlevine@groom.com

202-861-5436

Louis T. Mazawey

lmazawey@groom.com

202-861-6608

PUBLISHED

04/12/2011

SERVICES

The IRS has prominently mentioned abusive IRAs in a recent news release as one of the top dozen tax scams it is working to shut down. This may also serve as a warning to financial institutions to be wary of potential abuses in the IRA area by their customers. Many of these schemes rely upon inaccurate valuations of hard-to-value or illiquid assets. The news release states:

The IRS continues to find abuses in retirement plan arrangements, including Roth Individual Retirement Arrangements (IRAs). The IRS is looking for transactions that taxpayers use to avoid the limits on contributions to IRAs, as well as transactions that are not properly reported as early distributions. Taxpayers should be wary of advisers who encourage them to shift appreciated assets at less than fair market value into IRAs or companies owned by their IRAs to circumvent annual contribution limits. Other variations have included the use of limited liability companies to engage in activity that is considered prohibited.

[Click here to view the full IRS news release.](#)