



**WRNewswire**  
An AALU Washington Report

**Tuesday, 01 August 2017**

**WRN 17.08.01**

The AALU *WR Newswire* and *WR Marketplace* are published by AALU and Greenberg Traurig as part of the *Essential Wisdom Series*, the trusted source of actionable technical and marketplace knowledge for AALU members—the nation’s most advanced life insurance professionals.



## **Transaction Involving Shell Partnership Owned by Roth IRAs Constitutes an Abusive Tax-Avoidance Scheme**

In applying the substance-over-form doctrine, the Tax Court determined that Taxpayer’s creation of a partnership owned by Roth IRAs which received money from affiliated entities pursuant to a set of complex agreements and transactions transferred value to the Roth IRAs and thus constituted an abusive tax-avoidance scheme as described in IRS Notice 2004-8. The court stated that as Roth IRA contributions were generally limited to \$4,000 per year during the years in question, any value transferred to the Roth IRAs in excess of \$4,000 constituted overfunding and was subject to a 6% tax in the year of the excess

contribution and each year thereafter until the excess funding was removed. See *Block Developers v. Commissioner*, T.C. Memo 2017-142 (2017).

**[View Block Developers v. Commissioner, T.C. Memo 2017-142 \(2017\)](#)**

---

#### **DISCLAIMER**

**This information is intended solely for information and education and is not intended for use as legal or tax advice. Reference herein to any specific tax or other planning strategy, process, product or service does not constitute promotion, endorsement or recommendation by AALU. Persons should consult with their own legal or tax advisors for specific legal or tax advice.**



---

*Copyright © 2017 AALU, All rights reserved.*

AALU Member

**Our mailing address is:**

AALU  
11921 Freedom Drive  
Suite 1100  
Reston, VA 20190