

PUERTO RICO, USVI, AND MALTA – OH MY!

18th Annual NYU Tax Controversy Forum
Westin New York at Times Square
June 25, 2026 – 1-1:50 p.m.



Panelists

Moderator: Elizabeth J. Stevens, *Member, Caplin & Drysdale*

Panelists:

- Joseph A. DiRuzzo III, *Partner, Margulis Gelfand DiRuzzo & Lambson*
- Phillip Colasanto, *Tax Controversy Attorney*
- Daniel N. Price, *Managing Member, Law Offices of Daniel N. Price*



Agenda

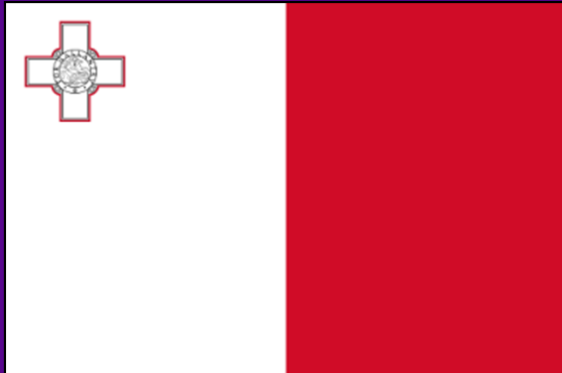
1. Substantive Tax Rules, Taxpayer Positions, & Enforcement State of Play
 - a. Malta
 - b. Puerto Rico
 - c. U.S. Virgin Islands
2. IRS Enforcement Themes



Learning Objectives

After attending this panel, audience members will:

1. Understand the substantive tax positions being taken by U.S. taxpayers in relation to Maltese pension plans and *bona fide* residency in the U.S. possessions of Puerto Rico and the U.S. Virgin Islands
2. Know the state of play of IRS civil and criminal investigative efforts in respect of these positions
3. Recognize common themes in IRS' tactics and strategy across these enforcement workstreams



Substantive Tax Rules, Taxpayer Positions, & Enforcement State of Play: Malta

US-Malta Treaty Provisions

- The U.S. Senate ratified the U.S.-Malta Tax Treaty on July 15, 2010, and the treaty entered into force on November 23, 2010.
- The income tax treaty has favorable pension provisions.
- Article 3.1(k) defines “pension fund” as including:
 - Maltese funds licensed and taxed only on immovable property
 - Operated principally for retirement benefits or to earn income
- Article 4(2) provides that a Malta pension is a resident of Malta:

2. The term “resident of a Contracting State” includes:
 - a) a pension fund established in that State; and
 - b) an organization that is established and maintained in that State exclusively for religious, charitable, scientific, artistic, cultural, or educational purposes,

US-Malta Treaty Provisions

- Article 18 provides that tax on pension fund income is deferred until distribution.

ARTICLE 18 (PENSION FUNDS)

This Article provides that, if a resident of a Contracting State participates in a pension fund established in the other Contracting State, the State of residence will not tax the income of the pension fund with respect to that resident until a distribution is made from the pension fund. Thus, for example, if a U.S. citizen contributes to a U.S. qualified plan while working in the United States and then establishes residence in Malta, this Article prevents Malta from taxing currently the plan's earnings and accretions with respect to that individual. When the resident receives a distribution from the pension fund, that distribution may be subject to tax in Malta, subject to paragraph 1 of Article 17 (Pensions, Social Security, Annuities, Alimony, and Child Support).

Relationship to other Articles

Article 18 is excepted from the saving clause of paragraph 4 of Article 1 by virtue of paragraph 5(a) of Article 1. Thus, the United States will allow U.S. citizens and residents the benefits of Article 18.

Article 18

PENSION FUNDS

Where an individual who is a resident of one of the States is a member or beneficiary of, or participant in, a pension fund that is a resident of the other State, income earned by the pension fund may be taxed as income of that individual only when, and, subject to the provisions of paragraph 1 of Article 17 (Pensions, Social Security, Annuities, Alimony, and Child Support), to the extent that, it is paid to, or for the benefit of, that individual from the pension fund (and not transferred to another pension fund in that other State).

- Technical Explanation of Article 18: Deferral confirmed; reciprocity example in TE.

- Ordinary meaning rule: Apply unambiguous text to undisputed facts.

Taxpayer Positions

Argument: Saving Clause + Article 18 allow for income deferral for U.S. taxpayers

- Article 1(5)(a) excepts Article 18 from the saving clause:
 - a) the benefits conferred by a Contracting State under paragraph 2 of Article 9 (Associated Enterprises), paragraphs 1 b), 2, and 5 of Article 17 (Pensions, Social Security, Annuities, Alimony, and Child Support), and Articles 18 (Pension Funds), 23 (Relief from Double Taxation), 24 (Non-Discrimination), and 25 (Mutual Agreement Procedure); and
- Textualist result: U.S. law cannot deny treaty deferral benefits to a U.S. person
- Reporting exceptions for pension:
 - Form 8833 Waiver: No treaty disclosure needed for pensions
 - PFIC Exception (Treas. Reg. § 1.1298-1(c)(4)): No Form 8621 if treaty-covered with deferred earnings

US-Malta CAA

Competent Authority Arrangement entered into December 2021

- **Text: CAA “clarifies” the definition of “pension fund”**
 - CAA excludes non-cash contributions
 - CAA excludes contributions not tied to earned-income from personal services (CAA pg. 2)
- **Purpose: Target abusive contributions of appreciated property**
 - Crypto bros trading out of Malta pensions
 - Low basis investments contributed to Malta pension in anticipation of selling the investments

US-Malta CAA

Arguments against the CAA

- Treaty supremacy: Ratified treaty is federal law (Art. VI)
- Authority limits: Article 25 allows interpretation, not amendment
- Unambiguous definitions: Pension fund defined clearly; CAA adds criteria
- IRS original intent claim unsubstantiated
- Formal amendment needed: Protocol ratification absent for CAA
- Ultra vires: Ex post attempt to rewrite treaty
- Fifth Amendment: retroactive application violates Due Process

Malta Enforcement State of Play

- IRS listed Malta Campaigns on its 2021 “Dirty Dozen” list
- IRS joint criminal and civil investigation
 - I.R.M. 25.1.4.4 (06-11-2021) Administrative Joint Investigations
 - Special Agent Visalli sent many invalid criminal summonses as a dragnet to collect information
- June 2023 Proposed listed transaction regulations REG-106228-22
 - The proposed listed transaction regulations have stalled
 - Proposed listed transaction regulations show misunderstanding of U.K. QROPS rollovers from U.K. pensions to Malta Pensions
 - One anonymous public comment provided very thorough analysis

Malta Enforcement State of Play

- IRS Civil Campaign continues
 - Campaign treats all Malta pensions as foreign grantor trusts
 - Exam's playbook includes assessing maximum penalties for failing to file Forms 3520 and Forms 3520-A (assessable penalties put collection pressure on taxpayers under audit)
 - L&A has designated "campaign counsel"
 - Technical coordinators give input on examinations
 - Combination of campaign counsel and technical advisors often strip revenue agents and their managers of decision making ability



Substantive Tax Rules, Taxpayer Positions, & Enforcement State of Play: Puerto Rico

PR & Tax – Zooming Out

- Puerto Rico is an unincorporated U.S. territory and has its own tax system.
- Puerto Rico taxes residents on their worldwide income.
- The United States taxes both citizens and residents on their worldwide income.
- Individuals born in Puerto Rico are U.S. citizens.
- The United States taxes alien residents of Puerto Rico as if they were U.S. residents.
- The United States has ceded exclusive taxing rights to Puerto Rico over certain income of certain of its residents.
- Puerto Rico has enacted a series of economic development incentives, now consolidated within Act 60, that provide significant tax relief to individuals and companies having certain characteristics or engaged in certain activities.

Section 933 - Residency

The following items shall not be included in gross income and shall be exempt from taxation under this subtitle:

(1) Resident of Puerto Rico for entire taxable year

In the case of an individual who is a bona fide resident of Puerto Rico during the entire taxable year, income derived from sources within Puerto Rico (except amounts received for services performed as an employee of the United States or any agency thereof); but such individual shall not be allowed as a deduction from his gross income any deductions (other than the deduction under section 151, relating to personal exemptions), or any credit, properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

Section 937(a) - Residency

For purposes of this subpart, section 865(g)(3), section 876, section 881(b), paragraphs (2) and (3) of section 901(b), section 957(c), section 3401(a)(8)(C), and section 7654(a), except as provided in regulations, **the term “bona fide resident” means a person—**

- (1) **who is present** for at least 183 days during the taxable year in Guam, American Samoa, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands, as the case may be, and
- (2) **who does not have a tax home** (determined under the principles of section 911(d)(3) without regard to the second sentence thereof) **outside such specified possession** during the taxable year **and does not have a closer connection** (determined under the principles of section 7701(b)(3)(B)(ii)) **to the United States or a foreign country than to such specified possession.**

For purposes of paragraph (1), the determination as to whether a person is present for any day shall be made under the principles of section 7701(b).

Section 933 - Source

The following items shall not be included in gross income and shall be exempt from taxation under this subtitle:

(1) Resident of Puerto Rico for entire taxable year

In the case of an individual who is a bona fide resident of Puerto Rico during the entire taxable year, income derived from sources within Puerto Rico (except amounts received for services performed as an employee of the United States or any agency thereof); but such individual shall not be allowed as a deduction from his gross income any deductions (other than the deduction under section 151, relating to personal exemptions), or any credit, properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

Section 937(b) - Source

Except as provided in regulations, for purposes of this title—

- (1) **except as provided in paragraph (2), rules similar to the rules for determining whether income is income from sources within the United States** or is effectively connected with the conduct of a trade or business within the United States **shall apply for purposes of determining whether income is from sources within a possession** specified in subsection (a)(1) or effectively connected with the conduct of a trade or business within any such possession, and
- (2) **any income treated as income from sources within the United States** or as effectively connected with the conduct of a trade or business within the United States **shall not be treated as income from sources within any such possession** or as effectively connected with the conduct of a trade or business within any such possession.

PR Taxpayer Positions

- Residency
- Source of income from the performance of services
- Assignment of income to personal services corporation
- Non-arm's length pricing of wage income from personal services corporation
- Source of gain from the sale of assets held through an S-corporation
- Source of gain from the sale of certain assets held through a partnership

PR Enforcement State of Play

Predecessor USVI “campaign” informs the Puerto Rico Act 22 Campaign

- USVI Economic Development Credit and perceived abuses in the early 2000s
- *Kapok* Management criminal case-resulted in acquittals
- *David Williams* (W. D. Tex. A08-CR-156 LY) resulted in misdemeanor plea in 2009
- IRS LB&I formed a campaign like approach called an “issue management team” to aggressively audit perceived abusive USVI residency claims and income sourcing to the USVI
- Section 937 was amended by the American Job Creations Act of 2004 in a response to clamp down on perceived abuses

Key timeline events:

- 10/14/2020 - indictment charging Gabriel F. Hernández of BDO with ten counts of wire fraud
- 1/29/2021 - LB&I Puerto Rico Act Campaign launched
- Summer 2021- extensive IRS training
- 9/9/2021 - IRS-Hacienda ABA webinar - hoped to nudge some toward VDP
- 2024 forward- many civil examinations commence
- 2025 *Gajwani* plea (one year of probation)
- 2026 Senator Wyden targeting practitioners who wrote legal opinions

PR Enforcement State of Play

Invasive Audits

- Template IDR has grown to 100 initial requests
- IDRs drafted almost like formal discovery with extensive definitions

“Mandatory” Taxpayer Interviews

- IRS template indicates interviews will be court reported (past practice from USVI)
- Sample interview questions show IRS is approaching interviews like depositions
- IRS has budget for travel for court reported interviews
- Query how IRS will serve summonses when most residences in Puerto Rico are in private, gated communities
- IRS is signaling its intention to push boundaries of summonses and attempt to compel summons interviews over Teams

Dragnet approach in collecting information, documents, and testimony likely to avoid protracted Tax Court discovery



Substantive Tax Rules, Taxpayer Positions, & Enforcement State of Play: USVI

USVI & Tax – Zooming Out

- The United States acquired the United States Virgin Islands from Denmark in 1917, and in 1921 Congress made the income tax laws of the United States applicable to the USVI with the enactment of the Naval Service Appropriation Act of July 12, 1921, (48 U.S.C. § 1397) under which the United States income tax laws represent the USVI income tax laws, with the only difference being that USVI residents pay tax to the USVI rather than to the United States.
- In order to effectuate the Naval Service Appropriation Act, the courts have judicially constructed the “Mirror Code” where one substitutes the words “Virgin Islands” to replace “United States” in the Internal Revenue Code. However, there are some provisions of the Internal Revenue Code that are not “mirrored” because they apply in full to the USVI and its residents.
- Because the USVI is a Mirror Code jurisdiction, it taxes bona fide residents on their worldwide income regardless of source.
- Individuals born in the USVI are U.S. citizens.

Section 932

- With the Tax Reform Act of 1986, Congress enacted I.R.C. § 932, which draws a clear distinction between individuals who are bona fide United States Virgin Islands residents and those who are not.
 - A United States resident who derives income from the USVI, but who is not a bona fide resident, must file two tax returns, one with the IRS and the other with the Virgin Islands Bureau of Internal Revenue (“BIR”). I.R.C. § 932(a). Such individuals pay tax on USVI source income to the USVI and tax on non-USVI source income to the IRS. I.R.C. § 932(b).
 - In contrast, a bona fide resident files a return only with the BIR and pays tax on all income, regardless of its source, to the USVI. I.R.C. § 932(c). By paying the BIR the tax on all worldwide income, a bona fide resident is relieved of any income tax liability to the United States, even on non-USVI source income.

Section 934

- The tax laws applicable to the USVI have also permitted the USVI to reduce the tax liability of certain USVI taxpayers. Since 1921 the policy has stood in order to promote investment in, and the economic development of, the USVI. This policy was again congressionally endorsed with the enactment of I.R.C. § 934 in 1960, which authorized the USVI to reduce the tax owed to it.

Section 934(b): Reductions permitted with respect to certain income.

- (1) In general. Except as provided in paragraph (2), subsection (a) shall not apply with respect to so much of the tax liability referred to in subsection (a) as is attributable to income derived from sources within the Virgin Islands or income effectively connected with the conduct of a trade or business within the Virgin Islands.
 - (4) Determination of income source, etc. The determination as to whether income is derived from sources within the United States or is effectively connected with the conduct of a trade or business within the United States shall be made under regulations prescribed by the Secretary.
- There are 2 different tax incentive programs in the USVI: the Economic Development Program and the RTPark.

Section 937

- (b) Source rules.** Except as provided in regulations, for purposes of this title—
- (2) any income treated as income from sources within the United States or as effectively connected with the conduct of a trade or business within the United States shall not be treated as income from sources within any such possession or as effectively connected with the conduct of a trade or business within any such possession.

Section 7701(a)(9): The term “United States” when used in a geographical sense includes only the States and the District of Columbia.

USVI Tax Incentives

- In the 1960's the USVI created the Economic Development Program to attract business-people to establish new businesses in the United States Virgin Islands. The United States Virgin Islands then created the Economic Development Commission ("EDC") to oversee the Economic Development Program. The Economic Development Program presents an opportunity for approved beneficiaries to receive a ninety percent (90%) income tax credit, pursuant to I.R.C. § 934.
- In 2002 the USVI created the University of the Virgin Islands Research and Technology Park (RTPark), which is a public corporation and autonomous instrumentality of the USVI Government. 17 V.I.C. Chapters 34 & 43. The RTPark is a government-sponsored public-private collaboration for technology development in the USVI.
- RTPark offers targeted tax incentives to attract and retain businesses with eligible businesses structured as "Protected Cells" that must qualify as either a "Knowledge-Based Business" or an "e-Commerce Business" as defined in 17 V.I.C. § 482, must be tenants of the RTPark, and must grant the RTPark-PC an agreed minimum equity interest in the Protected Cell entity. The tax benefits include, inter alia, a 90% credit against income tax on qualifying business income and on distributions to bona fide USVI resident owners, SALT exemptions, and reduced withholding taxes (0% on interest payments, 4% rate on dividends and royalties). See 17 V.I.C. § 806(b).

USVI Taxpayer Positions

- Post 2004 Jobs Act, the IRS has challenged USVI taxpayers' residency and use of Section 934 tax credits.
- The IRS' arguments include:
 - Sourcing
 - Residency (in particular, tax home and closer connection)
 - Transfer Pricing
 - Section 162
 - Economic Substance
 - Step-Transaction Doctrine

USVI Enforcement State of Play

Cases of Interest:

- **USA v. Liburdi, case no. 8:24-cr-00564 (MDFL).** Plea to 1 count information 26 U.S.C. sec. 7206(1). The relevant part of the plea agreement stated: “Specifically, contrary to the assertions made on his 2023 IRS Form 1040, the defendant generated the vast majority of his reported taxable income through multiple U.S.-based limited liability companies, including GREEN BRICK MEDIA, LLC, which elected S-Corporation status. On his above-described 2023 IRS Form 1040, the defendant falsely indicated that virtually all of these business incomes were instead sourced by "GGM GROUP LLC", a U.S. Virgin Islands based entity, rather than the U.S.-based entities which actually sourced the income. This willfully and materially false statement facilitated the defendant's claim of EDC Beneficiary exclusions of income not otherwise eligible for this exclusion as the income was not sourced in the U.S, Virgin Islands.”

 - Total Tax Loss = \$34.8M (USVI portion of tax loss = \$9.9M)
- **Curtin v. Comm’r, case nos. 32212-15,21530-16, & 2241-18.** Mixed pre and post-Jobs Act years. IRS asserted all the legal theories noted above with the exception of transfer pricing.

USVI-Specific Issues (i.e., not IRS-related):

- USVI Bill No. 36-0283 – Amended local law to prevent the payment of income tax refunds to taxpayers who received tax benefits under Code Section 934 (i.e., EDC and RTPark).
- Public comments by USVI Legislatures indicate that Bill No. 36-0283 was in response to lawsuits against the USVI for tax refunds.
- Currently OCWEN USVI SERVICES, LLC v. USVI, case no. 3:24-cv-5 (DVI) – three count complaint for tax refunds (\$7.6M for 2013; \$6M for 2014; \$14.2M for 2015).
- The USVI has taken the position that the NIIT applies to bona fide residents notwithstanding the clear language of 26 C.F.R. § 1.1411-2(a)(2)(vi)(A) (“An individual who is a bona fide resident of a United States territory is subject to the tax imposed by section 1411(a)(1) [the NIIT] only if the individual is required to file an income tax return with the United States upon application of section 931, 932, 933, or 935 and the regulations thereunder.”)



IRS Enforcement Themes

IRS Enforcement Themes

- Highly technical or textualist taxpayer arguments that lead to tax savings
- Use of judicial doctrines by the IRS to challenge taxpayer positions
- Aggressive assertion of penalties including assessable information return penalties to maximize pressure on taxpayers
- Aggressive planning including opinion letters (perhaps anticipating IRS challenges)
- Aggressive IRS campaign tactics
- Focus on alleged promoters
- Blurred line between civil and criminal information sharing through joint investigations
- Coordinated positions at Appeals / limited deference to hazards
- Potential impact on ADR including Fast Track and PAM

QUESTIONS?



Appendix

REQUESTS

I. U.S. Filings

A. U.S. Individual Tax Filings

Provide complete copies of the following for each of the taxable years [REDACTED] (or a copy of a request for extension, if applicable):

1. Form 1040, U.S. Individual Income Tax Returns, including all schedules, attachments, and statements, as originally filed.
2. Form 709, United States Gift (and Generation - Skipping Transfer) Tax Return.
3. Form 3520, Annual Return to Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts.
4. Form 3520-A, Annual Return of Foreign Trust With a U.S. Owner.
5. All third-party information returns received, including, but not limited to, Forms W-2, 1099 series, and Schedules K-1 and K-3.
6. Amendments to any of the foregoing returns.

B. U.S. Tax Filings of CONTROLLED AFFILIATES

Provide complete copies of the following for each of the taxable years [REDACTED] (or a copy of a request for extension, if applicable) filed by or on behalf of any CONTROLLED AFFILIATE:

7. Form 1120, U.S. Corporation Income Tax Return, including all schedules, attachments, and statements, as originally filed.
8. Form 1120-S, U.S. Income Tax Return for an S Corporation, including all schedules (including all Schedules K-1), attachments, and statements, as originally filed.
9. Form 1120-F, U.S. Income Tax Return of a Foreign Corporation, including all schedules, attachments, and statements, as originally filed.
10. Form 1065, U.S. Partnership Tax Return, including all schedules (including all Schedules K-1, K-2, and K-3), attachments, and statements, as originally filed.
11. Form 1041, U.S. Income Tax Return for Estates and Trusts, including all schedules, attachments, and statements, as originally filed.

12. Form 941, Employer's Quarterly Federal Tax Return, including all schedules, attachments, and statements, as originally filed.
13. Form 941 (PR), Employer's Quarterly Federal Tax Return (Puerto Rico Version), including all schedules, attachments, and statements, as originally filed.
14. All third-party information returns received, including, but not limited to, Forms 1099 series and Schedules K-1 and K-3.
15. All third-party information returns issued, including, but not limited to, Forms W-2, 1099 series, and Schedules K-1 and K-3.
16. Amendments to any of the foregoing returns.
17. Form 8832, Entity Classification Election, regardless of the date submitted to the IRS if the election was in effect during the taxable years indicate above.
18. Form 2553, Election by a Small Business Corporation, regardless of the date submitted to the IRS if the election was in effect during the taxable years indicate above.
19. Detail schedule for all property for which there was a sale, exchange, or other disposition (including a deemed sale, exchange, or other disposition) by a CONTROLLED AFFILIATE during the taxable years indicated above and for which any portion of the distributive share of income, gain, or loss flowed through, directly or indirectly, to TAXPAYER, including: (a) description of the property; (b) date acquired; (c) date sold, exchanged, or otherwise disposed of; (d) amount of proceeds or amount realized; (e) adjusted basis; (f) specify any adjustments; (g) the amount of any adjustments; and (h) gain or loss.

Note: if Form 8949, Sales and Other Dispositions of Capital Assets, or other relevant form contains sufficient detail for each and every sale, exchange, or other disposition and is included in a return produced in response to the Requests in Part I.B. of this IDR, this detail schedule need not be separately produced. Instead, identify the return and form or schedule in which it is included.

II. Puerto Rico Filings and Submissions

A. Puerto Rico Individual Tax Filings.

Provide complete copies of the following for each of the taxable years [REDACTED] (or a copy of a request for extension, if applicable).

- 20. Individual Puerto Rico income tax returns, including all schedules, attachments, and statements, as originally filed.
- 21. Individual Puerto Rico personal property tax returns, including all schedules, attachments, and statements, as originally filed.
- 22. All third-party Puerto Rico information returns received.
- 23. Amendments to any of the foregoing returns.

B. Puerto Rico Tax Filings of CONTROLLED AFFILIATES.

Provide complete copies of the following for each of the taxable years [REDACTED] (or a copy of a request for extension, if applicable) filed by or on behalf of any CONTROLLED AFFILIATE:

24. Puerto Rico corporation income tax returns, including all schedules, attachments, and statements, as originally filed.
25. Puerto Rico partnership returns, including all schedules, attachments, and statements, as originally filed.
26. Puerto Rico trust returns, including all schedules, attachments, and statements, as originally filed.
27. Puerto Rico and/or municipal personal property tax returns, including all schedules, attachments, and statements, as originally filed.
28. Puerto Rico and/or municipal sales or gross receipts tax returns, including all schedules, attachments, and statements, as originally filed.
29. All third-party Puerto Rico information returns received.
30. All third-party Puerto Rico information returns issued.
31. Amendments to any of the foregoing returns.

C. Departamento de Desarrollo Económico y Comercio (DDEC) Documents.

Provide complete copies of the following for each of the taxable years [REDACTED] submitted by or on behalf of TAXPAYER and by or on behalf of any CONTROLLED AFFILIATE:

32. All tax incentives applications, including but not limited to those under Acts 20, 22, and 60, including all schedules, attachments, and statements, and all documents, financial statements, and affidavits in support of the application or required as a condition of the grant of the decree, regardless of the date(s) submitted to DDEC.
33. All annual reports submitted, including all schedules, attachments, statements, financial statements, and supporting documents.
34. All communications to and from DDEC and/or any third-party agency concerning tax incentives applications, annual reports, and compliance audits.

III. Residency Documents

A. Physical Location & Activities

Provide the following to document TAXPAYER's physical location and the nature of the activities conducted during each day during the taxable years [REDACTED]¹

35. Daily business and personal planners, calendars, or any other form or device that documents TAXPAYER's physical location during each day, indicating the specific city and country (or territory).
36. DOCUMENTS to substantiate the nature of the activities conducted during each day, including purely personal trips, business trips, medical-related trips, etc.
37. DOCUMENTS to substantiate, for each day in which business activities were conducted, what activities were performed, for whom the activities were performed, the number of hours the activities were performed, and the specific location where the activities were performed.
38. DOCUMENTS related to these trips including, but not limited to, invoices for: travel, lodging, travel agency services, automobile rentals, vacation packages, deposits and monthly rental or lease of temporary and/or permanent business locations and business property or equipment.
39. DOCUMENTS for all flights TAXPAYER was on that departed from or arrived in Puerto Rico during the taxable years indicated above, including but not limited to airline tickets, receipts for purchase of any tickets, frequent flyer account records, and flight logs (in the case of non-commercial, corporate, or personal flights).
40. DOCUMENTS for all watercraft TAXPAYER used to enter or leave Puerto Rico during the taxable years indicated above, including but are not limited to tickets, receipts for purchase of any tickets, account records, and captain or similar logs, etc.
41. All telephone and cellular phone statements for all phones used by TAXPAYER, to include all pages included with each billing statement, the details of calls and text messages made and received, and the location data associated with such usage.

B. Tax Home

Provide the following for the taxable years [REDACTED]:

42. All DOCUMENTS related to TAXPAYER's change in residency from the U.S. to Puerto Rico, including, but not limited to, invoices for: airline tickets, fees paid to commercial moving companies for moving of automobiles, furniture, personal belongings, and all other physical assets, travel agency services, berthing of personal yachts and other watercraft, and hanger or other storage and maintenance of personal aircraft.
43. Identify TAXPAYER's principal place of business for the taxable years identified above and the preceding taxable year.
44. All DOCUMENTS to substantiate the conducting of business at TAXPAYER's principal place of business identified in response to the previous Request.-
45. Identify TAXPAYER's principal place of abode for the taxable years identified above and the preceding taxable year.
46. Description for San Juan Puerto Rico residence. Description should include overall features of a home (e.g., number of beds/baths, total square feet under air conditioning, etc.).
47. Digital pictures of your San Juan from outside, taken during the year of move (if available) and current.

C. Closer Connection

Provide the following for the taxable years [REDACTED]:

48. Copies of all leases in effect, in which TAXPAYER was either the lessee or lessor or resided in the property.
49. All closing DOCUMENTS for all real estate purchases and/or sales made by TAXPAYER and any CONTROLLED AFFILIATE.
50. DOCUMENTS reflecting all homestead exemptions claimed by TAXPAYER.
51. Copies of all property tax bills paid by or on behalf of TAXPAYER and any CONTROLLED AFFILIATE and records to substantiate the payment method used to pay the property taxes.
52. Identify the name and address of TAXPAYER's spouse, partner, or significant other.
53. Identify the name(s) and age(s) of TAXPAYER's child(ren), the address(es) and dates where TAXPAYER's child(ren) resided, and the name(s), address(es), and dates of attendance of the school(s) TAXPAYER's child(ren) attended.
54. All DOCUMENTS to substantiate the residence(s) and school(s) attended identified in response to the previous Request.
55. All insurance contracts, including declarations page, whether life, medical, automobile, liability, homeowners, etc., in force during the taxable years identified above, for which TAXPAYER was the owner, the insured, or the beneficiary.
56. Voter registration cards in effect for the taxable years identified above and the preceding two taxable years.
57. Copies of driver licenses and registrations for all vehicles registered in TAXPAYER's name or which TAXPAYER regularly used for the taxable years identified above and the preceding two taxable years.
58. Complete copy of TAXPAYER's current passport and any expired passports in effect during the taxable years identified above, to include copies of each page found within the passports, both stamped and unstamped pages.
59. All records substantiating social, political, cultural, or religious organizations in which TAXPAYER was a member.

IV. Organizational Documents and Agreements

A. TAXPAYER Documents

Provide the following documents for the taxable years [REDACTED]

60. All employment agreements, consulting agreements, management services agreements, and any similar agreements, and any amendments and addenda, entered into by or on behalf of TAXPAYER, in effect for the taxable years identified above, regardless of when the agreement was entered into.

61. All reports, studies, and analyses used to determine the amount of compensation to be paid to TAXPAYER by a CONTROLLED AFFILIATE.

B. CONTROLLED AFFILIATE Documents

Provide the following documents for all CONTROLLED AFFILIATES for the taxable years [REDACTED]

62. Articles of incorporation, organization, or formation and certificates of incorporation, organization, or formation, and any amendments, regardless of the formation date.
63. Corporate bylaws, shareholder agreements, partnership agreements, operating agreements, subscription agreements, or similar documents, including for any entity in which a CONTROLLED AFFILIATE was a partner, member, or investment manager, including any amendments and addenda, in effect during the taxable years identified above.
64. All employment agreements, consulting agreements, management services agreements, advisory agreements, sub-advisory agreements, investment management agreement, and any similar agreements, and any amendments and addenda, to which a CONTROLLED AFFILIATE was a party in effect for the taxable years identified above, regardless of when the agreement was entered into.
65. All custodial agreements and similar agreements entered into by a CONTROLLED AFFILIATE in effect for the taxable years identified above, regardless of when the agreement was entered into.
66. Resolutions or other written authorizations for specified individuals to act on behalf of a CONTROLLED AFFILIATE in conducting the activities of the CONTROLLED AFFILIATE, including the negotiation and execution of leases, vendor agreements, and employment agreements, directing purchases, acquisitions, trades, and other financial transactions, filing tax returns and other submissions to governmental agencies or self-regulatory bodies, etc.
67. All instructions, communications, and confirmations regarding investment purchases, acquisitions, trades, and other financial transactions.
68. All offering documents, prospectuses, private placement memoranda, and any similar documents provided to actual or prospective investors of a CONTROLLED AFFILIATE or other entity managed by a CONTROLLED AFFILIATE during the taxable years identified above.
69. All communications provided to prospective and current investors of a CONTROLLED AFFILIATE or other entity managed by a CONTROLLED AFFILIATE, including but not limited to brochures, presentations, letters, memos, speeches, and marketing material.
70. Identification of all offices, including address, floor, and suite numbers, for any office maintained by or on behalf of a CONTROLLED AFFILIATE at any time during the taxable years identified above.
71. All lease agreements, including all amendments and addenda, in effect at any time during the taxable years identified above.
72. Office specifications and floor plans for any office maintained by or on behalf of a CONTROLLED AFFILIATE at any time during the taxable years identified above.
73. Listing of all shareholders, partners, members, officers, directors, managers, employees, and contractors, including the full name, address, position title(s), the dates of employment or association with a CONTROLLED AFFILIATE, identification of the office in which such person worked or was assigned or reported (in the case of remote work), the direct supervisor's name, a job description, and statement of compensation (including salary, bonus, guaranteed payments, etc.), for each of the taxable years identified above.
74. Organizational charts, including the reporting structure for all persons identified in response to the previous Request, for each of the taxable years identified above.
75. All filings or submissions to state, local, and foreign tax authorities (other than requested in Parts I and II of this IDR), governmental agencies (other than requested in Parts I and II of this IDR), and self-regulatory bodies, in any jurisdiction, by or on behalf of a CONTROLLED AFFILIATE.
76. All consulting agreements, management services agreements, and any similar agreements, and any amendments and addenda, by and between two CONTROLLED AFFILIATES, in effect for the taxable years identified above, regardless of when the agreement was entered into.
77. All reports, studies, and analyses used to determine the amount of compensation to be paid pursuant to any agreement described in the preceding Request.
78. All DOCUMENTS reflecting the transfer of property, whether real or personal, tangible or intangible, by TAXPAYER or a CONTROLLED AFFILIATE to another CONTROLLED AFFILIATE.
79. Organizational chart(s) covering all CONTROLLED AFFILIATES for each of the taxable years identified above, including entity name, tax identification number, U.S. tax classification, jurisdiction of formation, and ownership percentage (both profits and loss and capital interests, if different).
80. Detail and/or explanation for type of activities conducted by all CONTROLLED AFFILIATES.

V. Financial and Accounting Records

A. Financial Account Records

Provide the following for the taxable years [REDACTED]

81. Identification of all U.S., Puerto Rico, and foreign, checking, savings, brokerage, or other financial accounts, including all sub-accounts, of TAXPAYER and all CONTROLLED AFFILIATES, including but not limited to accounts over which TAXPAYER has signature or other authority,² open at any time during the taxable years identified above.
82. All loan DOCUMENTS, including but not limited to, loan agreements, credit applications, promissory notes, deeds of trust, security agreements, payment records, and financial statements submitted to any lender by TAXPAYER or by or on behalf of any CONTROLLED AFFILIATE, for loans entered into or that were in effect during the taxable years identified above.
83. All monthly or other periodic statements for all bank, brokerage and financial accounts at domestic and foreign banks and other financial institutions, open at any time during the taxable years identified above, and signature cards, resolutions, and other written authorizations authorizing individuals to transact or direct transactions in the account, for all accounts titled to TAXPAYER (individually, jointly, or in any other capacity), a CONTROLLED AFFILIATE, and titled to any other person over for which TAXPAYER had signature or other authority or over which TAXPAYER exercised control, either directly or through nominees, agents, powers of attorney, letters of direction, or any device whatsoever.
84. All monthly statements for all credit/debit/charge cards, foreign or domestic, under any name, used by TAXPAYER or a CONTROLLED AFFILIATE to make purchases, cash withdrawals, or to pay expenses for any purpose, including personal or business use, at any time during the taxable years identified above.

B. Accounting Records

Provide the following for the taxable years [REDACTED]:

85. All audited financial statements or, if no audited financial statements exist, unaudited financial statements for all CONTROLLED AFFILIATES.
86. General ledger, trial balance, adjusting journal entries, and book to tax reconciliation workpapers for all CONTROLLED AFFILIATES.
87. Listing of all physical assets located in each office maintained by or on behalf of all CONTROLLED AFFILIATES at any time during the taxable years identified above.
88. Identify the accounting software used for bookkeeping by all CONTROLLED AFFILIATES.
89. Identify the name and address of all persons who maintain the books and records of all CONTROLLED AFFILIATES.
90. Complete analysis of each partner's capital account from date of inception for all CONTROLLED AFFILIATES.
91. Schedule of portfolio investments for all entities managed by a CONTROLLED AFFILIATE, including quantity, value, and percentage of outstanding units owned, as of the beginning and ending of each of the taxable years identified above.
92. For all entities managed by a CONTROLLED AFFILIATE, schedule of all property for which there was a sale, exchange, or other disposition (including a deemed sale, exchange, or other disposition) during the taxable years indicated above, including: (a) description of the property; (b) date acquired; (c) date sold, exchanged, or otherwise disposed of; (d) amount of proceeds or amount realized; (e) adjusted basis; (f) specify any adjustments; (g) the amount of any adjustments; and (h) gain or loss.

VI. Other Materials

93. All DOCUMENTS used in any way to promote, advertise, solicit, sell, facilitate, or market, ACT 20 and/or ACT 22 to TAXPAYER. These DOCUMENTS should include, but not be limited to, letters of solicitation, brochures, pamphlets, flyers, legal opinions, articles written for any newspaper or periodical, and any material posted on any web site, and all materials shown to TAXPAYER by any person identified in item #2 below. Provide all DOCUMENTS used or distributed to TAXPAYER during or after any seminar, conference, or similar group presentation whether held in the United States, Puerto Rico, or in a foreign country.
94. Identification of all individuals and entities who engaged in any activity to promote, advertise, solicit, sell, facilitate, or market ACT 20 and/or ACT 22 to TAXPAYER. These individuals and entities include, but are not limited to: Attorneys, Certified Public Accountants, Salespersons, and all other PERSONS to whom commissions or finder's fees were paid.
95. All legal, accounting, tax, or other opinions that relate or refer to ACT 20 and/or ACT 22 or its tax effects regardless of the opinion's source.
96. All legal, accounting, tax, or other opinions, whether directed to past or prospective events or transactions, that relate or refer to: the requirements for being considered a bona fide resident of Puerto Rico under I.R.C. § 937(a); the excludability of any item of income or gain under I.R.C. § 933; the sourcing of any items of income, gain, loss, or deduction under I.R.C. § 937(b) and Treas. Reg. § 1.937-2; or the sourcing of any items of income, gain, loss, or deduction under I.R.C. §§ 861 through 865.
97. All DOCUMENTS which suggest or propose entries on any tax form, including but not limited to, deductions for management contract fees or other fees paid to an ACT 20 ENTITY by any CONTROLLED AFFILIATE or other United States entity, or any other income tax position related to ACT 20 and/or ACT 22.
98. All monthly statements for utilities, such as electricity, water, sewage, etc., for the years [REDACTED] if applicable.
99. All monthly statements for tolls from AutoExpreso or any other toll system for the years [REDACTED] if applicable.
100. Prior IRS examination audit reports (if any) for TAXPAYER and all CONTROLLED AFFILIATES