

## The IRS Announces 100 Criminal and Civil Audits of Puerto Rico Act 20, 22, and 60 Decree Holders

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In 2021, the IRS started an enforcement campaign to investigate individuals claiming the benefits of Puerto Rico Act 20, Act 22, Act 60 and presumably other Puerto Rico incentives acts. This week the IRS announced that it has, to date, identified approximately 100 individuals for audit. Some of these will be criminal investigations: “The agency has also identified about 100 high-income people claiming benefits in Puerto Rico without meeting certain requirements, with many of those cases expected to be taken up by the Criminal Investigation division.” [1]

This is a good time for anyone claiming Puerto Rico residency to take stock of the strength of their tax return position. Have the requirements of the 3-part test for bona fide Puerto Rican residency been met and, if so, has exempt Puerto Rico source income been properly determined?

We summarize considerations relevant to these questions in three previously published alerts:

- Defending Your Puerto Rico Source Income in an IRS Campaign Audit
- All or Nothing: Defending Your Puerto Rico *Bona Fide* Residency Against an IRS Campaign Audit
- Preparing for Battle: The IRS Puerto Rico Campaign Takes Off

This is a smart time to prepare, even for taxpayers in the strongest positions, due to the aggressive nature of the IRS enforcement activity. If you are concerned about your residency status or whether you have properly claimed all benefits, please contact one of the Caplin & Drysdale attorneys listed below. Our experience at all levels of IRS engagement allows us to skillfully assist in audit preparation and shepherd taxpayers through complex and sensitive audits. We would be happy to arrange a consultation.

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[1] Jagoda, N. (2023, July 14). IRS Targets Rich Tax Dodgers Using New Funds, Chief Werfel Says. *Bloomberg Law News*, 1. <https://news.bloomberglaw.com/us-law-week/irs-targets-rich-tax-dodgers-using-new-funds-chief-werfel-says>

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