



## Duke Law Firm, P.C.-in the News

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### **Seminars/Conferences**

**Chartered Wealth Manager and Certified Trust and Estate Practitioner Course:** Register for the Chartered Wealth Manager (CWM) and Chartered Trust and Estate Planner (CTEP) Designation Courses: Next training courses to be held in Key Largo, FL, April 24-27.

**Course Dates and Locations:**

<http://mfsfinancial.com/bsiexecutiveeducation/>

### **Jenkins & Gilchrist Admits It Is Subject to \$76 IRS Penalty**

*IR-2007-71, March 29, 2007*

The Internal Revenue Service today [March 29, 2007] announced that it has reached a settlement with the law firm of Jenkins & Gilchrist, which agreed that they are subject to a penalty of \$76 million. The penalty stems from the firm's promotion of abusive and fraudulent tax shelters and violation of the tax law concerning tax shelter registration and maintenance and turnover to the IRS of tax shelter investor lists.

The United States Attorney for the Southern District of New York announced on March 28, 2007 that his Office has entered into a non-prosecution cooperation agreement for criminal tax violations arising from Jenkins & Gilchrist's tax shelter activities.

In a statement to the United States Attorney's Office for the Southern

District of New York (the "Office"), J&G admitted to developing and marketing fraudulent tax shelters, as well as to issuing fraudulent opinion letters.

Michael J. Garcia, United States Attorney, Southern District of New York, on behalf of the U.S. Department of Justice, issued a letter on March 26, 2007 stating: "The protection against prosecution with respect to the tax offenses set forth below has been approved by the Tax Division, Department of Justice."

For links to the IRS News Release, Department of Treasury Announcement and U.S. Attorney's Office New Release, go to:

<http://www.assetlaw.com/news.htm>

**Reported by The Wall Street Journal through the Internet on March 29, 2007 at 1:51 PM EDT and printed in hard copy on March 30, 2007, page A1.**

The demise of Jenkins & Gilchrist, a once-prestigious nationwide firm based in Dallas, is the latest sign that the government has law firms' business practices in its sights.

The Wall Street Journal reported that Jenkins & Gilchrist's statement regarding this matter reads as follows:

The firm's tax shelter practice was spearheaded by tax practitioners in J&G's Chicago office who are no longer with the firm. "Misplaced trust and reliance" on its Chicago office led the firm to publicly support

its legal opinions on the tax shelters.

The Wall Street Journal further reports that, as a part of the agreement with the U.S. Attorney, Jenkins & Gilchrist in Texas will remain in operation to wind-up its business affairs and to ensure continuing cooperation with the IRS and federal prosecutors.

See: Law Firm's Work On Tax Shelters Leads to Demise: Litigation, Penalty Fell Jenkins & Gilchrist; 'An Orderly Transition' *The Wall Street Journal*

*By Paul Davies, David Reilly and Nathan Koppel  
March 30, 2007; Page A1*

The editors stated they wanted to write an article that was "essentially an opportunity for the author to provide opinion, perhaps vent some anger or frustration, or contribute a philosophical insight to any aspect of the offshore world - the subject matter being at the author's discretion." Please see: "Comment" in *Offshore Investment titled "Offshore Lawyers Have 'Trials' Too" (December 2005/-January 2006).*

<http://www.assetlaw.com/news.htm>

### **3 at Major U.S. Law Firm Face Tax-Shelter Inquiry**

*The New York Times*

*by Lynnley Browning*

*Thursday, January 26, 2006*

The New York Times reported that federal prosecutors are investigating three lawyers at Jenkins & Gilchrist. The criminal investigation was heard by the Grand Jury in New York, which as the Times reports is a sign that the govern-

ment is extending investigations of tax shelters that it considers abusive beyond the case involving the accounting firm KPMG.

### **IRS Examines Loophole**

by ARDEN DALE

March 7, 2007

*The Wall Street Journal*

NEW YORK--The Internal Revenue Service is intensifying scrutiny of a technique used by wealthy investors to defer capital gains on the sale of big chunks of company stock.

Investors who used the method could owe retroactive taxes.

The technique, known as a prepaid variable forward contract, seeks to let investors diversify concentrated stock holdings while protecting the assets from market moves and deferring tax.

Wall Street firms who advise affluent clients used the strategy widely in recent years, but in past months have been hesitating because of an IRS opinion last year against a taxpayer who used it.

An IRS memo issued in January has deepened the chill.

Corporate executives with pay packages that hold a lot of company stock and entrepreneurs who retain stock after selling businesses are among the technique's biggest users.

Because the strategy has been common, billions of dollars of transactions could potentially be affected.

In the memo dated Jan. 24, the IRS urged its agents to take a close look at the use of prepaid variable forward contracts.

### **Mauritius—India Wants to Renegotiate Tax Treaty**

*Reuters*

Finance Minister Palaniappan Chidambaram said on Thursday

that the government was trying to renegotiate a tax treaty with Mauritius. "I'm trying to renegotiate the treaty with Mauritius," he told the Headlines Today TV channel.

[http://in.today.reuters.com/news/newsArticle.aspx?type=businessNews&storyID=2007-03-01T165456Z\\_01\\_NOOTR\\_RTRJONC\\_0\\_India-289669-1.xml&archived=False](http://in.today.reuters.com/news/newsArticle.aspx?type=businessNews&storyID=2007-03-01T165456Z_01_NOOTR_RTRJONC_0_India-289669-1.xml&archived=False)

### **\$30,000,000 Verdict (PA)**

Negligent administration of "clot busting" medication - TPA to one-year-old infant—Massive—Permanent brain injury—24-hr. nursing care required—Damage award capped by confidential high/low agreement.

[http://www.jvra.com/sample\\_edition/SampleMailArticle.aspx?ArticleId=46721](http://www.jvra.com/sample_edition/SampleMailArticle.aspx?ArticleId=46721)

### **Offshore Investment**

Issue 173, Banking, Confidentiality and Compliance, reports that global wealth reached \$44.6 trillion.

[http://www.offshoreinvestment.com/current\\_issue/index.html](http://www.offshoreinvestment.com/current_issue/index.html)

<https://www.offshoreinvestment.com/cgi-bin/index>

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