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### When Billionaire Tax Deals Go Bad

Like many other billionaires, [Philip Anschutz](#) engages in sophisticated financial transactions. Controversially, he used complex financial instruments known as variable prepaid forward contracts hoping to avoid a whopping \$144 million in capital gains taxes. The [Tax Court disallowed](#) the deals saying the taxes were due and the Tenth Circuit Court of Appeals has affirmed. See [Anschutz Co. v. Commissioner](#).

These were complex deals, perhaps intentionally so. See [Appeals court says Philip Anschutz owes \\$17.3 million in taxes](#). Essentially, they were stock deals structured to spread out tax liabilities over several years. Although Anschutz received about \$374 million, he argued they were pending deals not final sales. That meant tax deferral was appropriate, he argued.

Transactions executed through variable prepaid forward contracts and share-lending agreements are intended to raise money but defer taxes. Oversimplified, think of these deals like loans. If someone loans you \$1,000 and takes your property as security, the money isn't taxed. But if it looks like you'll **never** get your property back and the loan was **really** intended as a sale, it's taxed no matter what you call it.

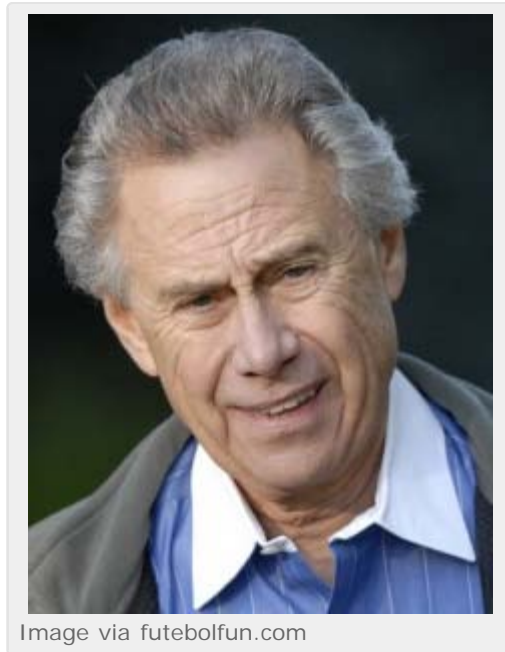


Image via [futebolfun.com](#)

In 2003, the IRS issued guidance on how these transactions could avoid taxes. But in 2006 the IRS warned taxes might be triggered. There are debates about whether these deals are legitimate ways to raise money or are just tax shelters.

Anschutz argued his transactions followed the IRS guidance so taxes could be deferred until the stock was sold. However, two courts have ruled the transactions were sales. One key fact? Stock was **actually** sold shortly after Anschutz transferred it to a securities firm. See [Federal court upholds ruling that billionaire investor Phillip Anschutz owed \\$94 million in taxes](#).

Even billionaires need tax benefits, it seems. Another recent one was [Andrew Beal](#), number 39 on Forbes [400 Richest Americans](#) list. Beal tried a DAD shelter. Through an entity, Beal bought Chinese nonperforming loans. Complex partnership tax accounting generated more than \$1 billion in paper losses. The IRS called it a sham and added penalties. The district court and Fifth Circuit agreed. See [Appeals Court Nixes Billionaire Beal's \\$1.1 Billion Tax Shelter](#).

For more, see:

[IRS Targets Billionaire's Variable Prepaid Forward Contract Tax Strategy](#)

[Anschutz and a 21st Century Tax System](#)

[More on the Crackdown on the Anschutz Tax Shelter](#)

[Anschutz Will Cost Taxpayers More Than the Billionaire](#)

[U.S. Wins Three Tax Cases Involving Big Banks, KPMG](#)

[How Bad Is Your Tax Shelter?](#)

[Dear DAD: Southgate and the American Jobs Creation Act](#)

[How Can Companies Skirt U.S. Tax?](#)

[Don't Look For \(Tax\) Shelter Under Wells Fargo Wagon](#)

[Don't Fail To Consider Taxes When Settling Litigation](#)

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