

Office of Chief Counsel
Internal Revenue Service
Memorandum

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CC:PSI:2
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Third Party Communication: None
Date of Communication: Not Applicable

UILC: 9300.99-07

date: February 07, 2012

to: Constance Allison
(IRS, PSP, Western Area)

from: Bradford Poston
(CC:PSI:2)

subject: A, B

This Chief Counsel Advice responds to your request for assistance. This advice may not be used or cited as precedent.

LEGEND

A =

B =

X =

Year =

We are notifying you of our refusal to issue the rulings requested by the above-captioned taxpayers pursuant to § 6.10 of Rev. Proc. 2011-1.

A and B have each submitted a private letter ruling request to determine the specific tax laws applicable to trusts that they purport to have been created by the Social Security Administration (SSA).

A and B assert that the SSA created trusts in their names with each of them as trustee for the benefit of the US government. They each provided a nearly identical

instrument entitled "Simple Social Security Trust." Each trust instrument states that it was created when SSA issued social security cards in each of their names. The instruments also state that A and B are "Stewards in the Kingdom of Israel" that provide "the consciousness and physical capacity" for the trusts. After making FICA payments, any net income may be held, invested, used as fiduciary fees, or distributed to its "Steward."

In their ruling requests, A and B represent that the "trusts" contracted to perform services for X, and that each trust also controls two units of ownership interest in X. The "trusts" were paid for services in connection with the contract with X in Year. However, A and B state that they are unable to determine the proper income tax treatment or filing requirements for the trusts.

We have attached copies of A's and B's correspondence with this office, including two documents entitled "Simple Social Security Trust."

This situation appears to be an "abusive trust arrangement" as described in Notice 97-24, 1997-1 C.B. 409, in which the taxpayer attempts to minimize income taxation by transferring assets to a trust with no meaningful change in the taxpayer's control over the assets. See also Zmuda v. Commissioner, 79 T.C. 714 (1982), aff'd. 731 F.2d 1417 (1984); Markosian v. Commissioner, 73 T.C. 1235 (1980). The Service has won several cases involving such "sham trusts." See Zachman v. Commissioner, T.C. Memo 1999-391 (1999). Accordingly, your office may wish to examine the returns of A and B to determine whether these arrangements constitute "sham trusts."

In addition to the attachments mentioned above, we are including a copy of the letter which this office is sending to A and B. Copies of this memorandum and the supporting documentation are also being provided to the Office of Division Counsel, Associate Chief Counsel (Criminal Tax).

Please call (202) 622-3060 if you have any further questions.