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U.S. BUSINESS NEWS

U.S. Judge Freezes Doctors' Accounts In Tax Fraud Probe

By **ROB WELLS**
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WASHINGTON -- A judge ordered more than \$500 million in investment accounts frozen as the Justice Department probes charges of tax avoidance involving a company that markets tax-savings plans to doctors.

The Internal Revenue Service estimates that some 4,000 doctors are involved in what it called a fraudulent tax-reduction scheme, and they could owe as much as \$420 million in taxes plus interest and penalties, Justice Department officials said. That works out to more than \$100,000 per taxpayer.

The federal court in San Diego issued a temporary restraining order to California-based xélan Inc. and a number of related entities and persons. The company's Web site says it was founded 32 years ago by doctors to help other physicians with financial matters, ranging from pension plans to disability and long-term care insurance. It calls itself "the Economic Association of Health Professionals."


But the Justice Department said that "persons and entities affiliated with xélan" have advised thousands of doctors and other medical professions to invest in "various fraudulent tax avoidance schemes," including purported supplemental-insurance products and improper charitable-deduction schemes involving a xélan-related foundation.

A call to xélan's corporate office was met by a recording saying the office was closed.

A Washington, D.C., attorney representing several hundred doctors who have been audited for their involvement in xélan insurance and other products questioned the government's case.

"The xélan Foundation and the supplemental insurance programs offered through xélan are legitimate operations," said Michael Durney in a statement. "They are neither a scam nor an abusive tax shelter." Mr. Durney said his clients contributed to the xélan foundation or purchased the insurance "in good faith, and for

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regular charitable and business purposes."

The government's complaint said more than \$500 million is held in investment accounts controlled by xélan-related and Barbados-based Doctors Benefit Insurance Co.

Steve Gaines, U.S. counsel for Doctors Benefit Insurance Co., objected to the Justice Department's asset-freeze move. "It's a legitimate insurance company," he said.

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Members Only

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Financial Services

Loss Test

- ① The xélan Tax Loss Test is a diagnostic and assessment tool to help us, and you, determine whether xélan planning can benefit you. This test generally estimates potential losses to unnecessary income tax using certain assumptions and the information you provide. It is only intended for use for illustrative purposes. Estimate your monthly after tax lifestyle costs for food, clothing, entertainment, car expense, mortgage payments or rent, educational costs for children, etc.

Estimated monthly after tax lifestyle costs

\$

(This figure does not have to be 100% accurate. Come within material accuracy of plus or minus 20%.)

- ② Multiply lifestyle costs (1) times 20 to estimate annual taxable compensation you need to provide for your after tax monthly lifestyle costs in a 40% average combined state and federal tax bracket. (2)

$$(1) \quad \quad \quad \times 20 = (2)$$

- ③ Estimate your annual pre-tax practice income and add to that any pre-tax interest, dividend, or rental income and any pre-tax income generated by your spouse to calculate your total pre-tax income (3).

Your pre-tax practice income: +

Your pre-tax, interest,
dividend and rental income: +

Spouse's pre-tax income: +

TOTAL PRE-TAX INCOME (3)

- ④ Subtract compensation need (2) from total pre-tax income (3):

Total pre-tax practice income: (3)

Minus compensation needed: - (2)

SURPLUS PRE-TAX EARNINGS (4)

- ⑤ Multiply surplus pre-tax earnings (4) times 40% to calculate estimated annual LOSSES TO UNNECESSARY INCOME TAXES (5).

$$(4) \quad \quad \quad \times .40 = (5)$$

Annual Losses to Unnecessary Income Taxes

6

Do you have \$500,000 or more personal assets in addition to your residence and qualified retirement plan assets, and if so, have you set up a Cook Islands offshore trust program to protect your assets from creditors?

7

Do you have \$1,000,000 or more of total pension accumulations in your IRA and/or qualified retirement plan?

8

Email address:

[*Return to Complete Program*](#)

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