

IRS Notes Paycheck Scam

John Carlson, District Director for the Anchorage District of the Internal Revenue Service today warned Alaskans of a scheme being promoted in Alaska whereby workers are being fooled out of 10% of their wages.

Workers are asked to sign a contract selling their pay checks to a foreign organization for \$1.00. They then receive 90% of their wages back from the foreign organization in the form of a "loan" or "capital gain"

which the promoters say is not subject to federal income tax.

Citing the Supreme Court case *Lucas vs Earl*, Carlson stated that the person performing the services and earning the income will be taxed on his wages. This basic principal of taxation cannot be changed by merely signing a contract assigning his wages to another entity. Additionally, advised Carlson, persons involved in this scheme stand to lose the 10% kept by the promoters as well as paying the normal tax on their total wages.