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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

GREGG RICHARD, STAFF DIRECTOR
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September 30, 2025

Daniel Morehead
3000 Sand Hill Road
Suite 1-235
Menlo Park, CA 94025

Dear Mr. Morehead,

I write regarding your refusal to cooperate with my investigation into whether you improperly reported U.S. source income as Puerto Rico source income in order to avoid federal income taxes on large capital gains. As you are aware, earlier this year I sent you a request for information as part an investigation by the Senate Committee on Finance (“the Committee”) into compliance with federal tax law by ultra-high net worth U.S. persons who have established residency in Puerto Rico and obtained an Act 60 tax exemption (hereafter “PR tax grant”).¹ This letter sought information related to the tax treatment of the sale of a large position by Pantera Capital Management (“Pantera Capital”) that generated over \$1 billion in capital gains, including whether your share of hundreds of millions of dollars in flow-through gain from this transaction was treated entirely as Puerto Rico source income exempt from U.S. tax.

While your attorneys initially suggested to my staff you were willing to cooperate with this inquiry, they have all but disappeared, heightening my concerns that you may have improperly avoided over \$100 million dollars in federal taxes on capital gains that accrued while you still lived in San Francisco. Moreover, my investigators recently discovered that you were advised on this transaction by Jeffrey Rubinger, a Miami-based attorney who inaccurately advised a different client, Suresh Gajwani, that built-in gains accrued prior to becoming a resident of Puerto Rico could be exempt from federal taxes.² Gajwani recently pled guilty to a

¹ According to an official database, Daniel Morehead received a Puerto Rico Act 60 tax exemption on October 31, 2022. <https://docs.pr.gov/files/DDEC/Informe%20de%20Decretos/Tabla%20Historica%20Aprobados%20Oficina%20de%20Incentivos%202024.xlsx?d=wcbc6b37953204f2b8e4ec8b8a726edd4>

² Committee investigators have confirmed from multiple sources familiar with the matter that Jeff Rubinger of Winston & Strawn LLP is “Attorney 1” in the Gajwani court filings. According to the Gajwani indictment (Case 1:25-cr-20117-CMA Document 1 Entered on FLSD Docket 03/19/2025): “SURESH GAJWANI obtained an opinion letter from Attorney 1 stating that (a) income earned by a U.S.-based S Corporation could be sourced to Puerto Rico

tax fraud scheme involving the misuse of Puerto Rico Act 60 incentives in order to evade taxes on \$30 million in capital gains.³

As you know, my investigation is examining situations where U.S. taxpayers with appreciated property, owned directly or indirectly through an entity like a limited liability company or partnership, (i) move to Puerto Rico, (ii) establish residency, (iii) obtain a PR Tax Grant, and (iv) sell the appreciated property claiming that the gain on the sale of the appreciated property is Puerto Rican source, and not subject to U.S. tax. However, according to the applicable U.S. tax laws, this is a misapplication of U.S. tax law and results in significant underreporting and underpayment of U.S. taxes. Notably, Treas. Reg. §1.937-2(f)(1)(iii)(B) specifically provides that gains from dispositions of appreciated property within 10 years after becoming a bona fide resident of Puerto Rico generally are treated as non-Puerto Rican-source income.⁴ This was also confirmed by officials from Puerto Rico's Hacienda, who also clarified that net capital gains attributable to the appreciation in the value of securities (asset) accrued before the individual investor became a resident of Puerto Rico will be considered income from sources outside of Puerto Rico.⁵

Over the course of this investigation, my staff received information regarding a large transaction involving Pantera Capital, a hedge fund/venture capital firm focused on digital assets and blockchain technology that you founded in 2003. Specifically, my staff received information indicating that shortly after you relocated to Puerto Rico and obtained a PR tax grant, Pantera Capital sold a large position and generated capital gains in excess of \$1 billion. It is my understanding your share of these gains, as reported to you, a partner of Pantera Capital, on a U.S. Schedule K1 was hundreds of millions of dollars (the "Pantera Flow Through Gain"). It also my understanding that you treated the entire Pantera Flow Through Gain as exempt from U.S. tax, even though the lion's share of these gains accrued while you still resided in California.

These are serious allegations of potential abuse of Puerto Rico tax incentives to avoid the payment of U.S. taxes that you must immediately address. Both the Internal Revenue Service and the U.S. Department of Justice have recently increased their efforts to ensure that individuals who have relocated to Puerto Rico and claimed PR tax grants are complying with federal tax

and exempt from capital gains taxes and (b) built-in capital gains for U.S. residents accrued prior to becoming a resident of Puerto Rico could be exempt from federal income taxes under Act 60. IRS senior representatives later advised Attorney 1 that both positions in his opinion letter were wrong."

³ *Investor Pleads Guilty to Filing False Form with IRS to Shield \$30 Million in Capital Gains under Puerto Rico Tax Incentive Program*, U.S. Department of Justice, Jun. 16, 2025, online at <https://www.justice.gov/usao-sdfl/pr/investor-pleads-guilty-filing-false-form-irs-shield-30-million-capital-gains-under>

⁴ Treas. Reg. §1.937-2(j) provides that Code §318(a)(2) applies to the entirety of Treas. Reg. §1.937-2 and that investment property owned by a partnership is considered as owned by its partners. The investment property owned by the partnership prior to a partner moving to Puerto Rico would be subject to U.S. tax and gain on a disposition of that investment property would be treated, in whole or in part as non-Puerto Rican-source income.

⁵ Email from [REDACTED], Asesor Contributivo, Departamento de Hacienda, Gobierno de Puerto Rico to [REDACTED], Senior Investigator, Senate Committee on Finance, Jun. 23, 2025 ("Act 45-2017 (Act 45) introduced various amendments to Acts 20 and 22 (consolidated into Act 60). Specifically, Act 45 amended the provisions of Article 5(a) of Act 22 to clarify that, effective for taxable years commenced after December 31, 2016, net capital gains attributable to the appreciation in the value of securities (asset) accrued before the individual investor became a resident of Puerto Rico will be considered income from sources outside of Puerto Rico.")

laws.⁶ IRS personnel also indicated to Senate Finance Committee staff in a briefing that there were several ongoing investigations by IRS criminal agents and federal prosecutors involving situations⁷ where a taxpayer potentially misrepresented facts with respect to bona fide residency in Puerto Rico or sourcing of income on tax returns. In addition to the recent prosecution of Suresh Gajwani, my understanding is that federal prosecutors in South Florida are also conducting criminal investigations into attorneys who knowingly provided taxpayers inaccurate legal opinions advising them to treat U.S. source income as Puerto Rico source income.⁸

In order to assist the Committee's investigation and better understand the means in which you may have used a PR tax grant to avoid U.S. taxes on capital gains, please provide answers to the following questions no later than October 15, 2025:

1. Provide the name and address of all professional advisors who assisted you with the filing of the PR tax grant application.
2. List all assets sold either directly or indirectly (i.e., through a partnership/LLC, S. corp., etc.) while a resident of Puerto Rico, including, but not limited to, marketable or nonmarketable securities, cryptocurrencies, bonds, gold, etc. For each asset listed, provide the date of purchase, tax basis, date of sale and gross proceeds from sale. If you owned the assets directly or indirectly.) prior to establishing residency in Puerto Rico, provide [your share of] the fair market value of the asset on the date you became a Puerto Rican resident.
3. Provide the amount of income you have treated as Puerto Rican-source and exempt from U.S. tax for the period beginning with the date your residence began in Puerto Rico.
4. Provide the name and address of the professionals who advised you regarding the U.S. tax reporting position for the Pantera Flow Through Gain.
5. Did you receive any legal opinions from Jeff Rubinger regarding the U.S. tax reporting position for the Pantera Flow Through Gain? If yes, please provide a copy of all responsive opinions.

⁶ *Investor Pleads Guilty to Filing False Form with IRS to Shield \$30 Million in Capital Gains under Puerto Rico Tax Incentive Program*, U.S. Department of Justice, Jun. 16, 2025, online at <https://www.justice.gov/usao-sdfl/pr/investor-pleads-guilty-filing-false-form-irs-shield-30-million-capital-gains-under>; *Large Business & International Active Campaigns*, U.S. Internal Revenue Service, online at <https://www.irs.gov/businesses/corporations/lbi-active-campaigns>,

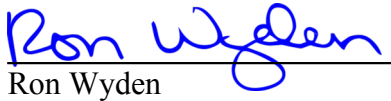
⁷ On June 12, 2024, staff from the Senate Finance Committee received a briefing from executives in the IRS Large Business & International Division overseeing the IRS enforcement campaign related to Puerto Rico tax incentives for individual investors.

⁸ *Baker McKenzie pulled into Probe of Puerto Rico Tax Abuses*, Bloomberg, online at <https://news.bloombergtax.com/daily-tax-report-state/baker-mckenzie-pulled-into-us-probe-of-puerto-rico-tax-abuses>

6. Did you receive any legal opinions from the law firm Baker McKenzie regarding the U.S. tax reporting position for the Pantera Flow Through Gain? If yes, please provide a copy of all responsive opinions.

Thank you for your attention to this important matter. Should you have any questions or wish to discuss this request, please contact Patricio Gonzalez from my staff.

Sincerely,



Ron Wyden
United States Senator
Ranking Member, Committee
on Finance