



2016 - The Most Notable IRS Criminal Tax Cases

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Gary S. Wolfe has over 34 years of experience, specializing in IRS Tax Audits and International Tax Matters including: International Tax Planning/Tax Compliance, and International Asset Protection.

As of July 2016, Gary Wolfe has internationally published 15 books and 28 articles. Gary has received 14 international tax awards from five different Global expert societies in LONDON/UK including being voted one of the 100 leading world's law firms with votes from over 150,000 voters in over 160 countries with the following award: Global 100 (2016) (KMH Media Group) - CA/US International Tax Planning Law Firm of the Year.

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2016: The Most Notable IRS Criminal Tax Cases

The year 2016 has become a groundbreaking year for bringing attention to IRS Criminal Tax Cases.

Sheldon Cohen, Former IRS Commissioner stated: "Taxation, in reality, is life. If you know a position a person takes on taxes, you can tell their whole philosophy. The tax code... embodies all the essence of life: greed, politics, power, goodness."

For those who cheat on their taxes be aware of a federal felony statute, 18 USC 1001, which stipulates fines or prison terms of up to 5 years for anyone who knowingly and willfully "makes any materially false, fictitious, or fraudulent statement or representation". This felony includes tax crimes such as: lying on your tax returns by under-reporting income, overstating tax deductions, or deducting personal expenses which are non-deductible by classifying them as deductible business expenses.

Failure to pay your taxes may be subject to criminal prosecution for willful evasion of tax (IRC 7201), obstruction of tax collection (IRC 7212), and conspiracy to commit tax evasion (i.e. a "Klein conspiracy" 18 USC 371). Filing a false tax return is a 3-year felony (IRC 7206).

The IRS is now on the warpath and going after those who cheat on their taxes. Unlike the past, the criminal prosecutions for tax crimes are both accelerating and casting a wide net.

Notable 2016 Criminal Tax Cases

1. William J. Reilly, Florida

William J. Reilly, Boca Raton, Florida attorney sentenced to 2 1/2 years in jail (5/16) ordered to pay \$1.95m in restitution to the IRS. His tax crimes: income tax evasion i.e. hiding assets and income 1997-2007.

Nearly 20 years after he started tax cheating he was sentenced to jail. The tax crimes for Reilly (former NYC Securities Attorney) included: using his law firm and "shell corporation" bank accounts to receive personal income and pay personal expenses including his mortgage, vehicle, and credit card bills, his children's school and college tuition, supporting his daughter's equestrian business and contributing to his son's political campaign. He also had people who owed him money purchase more than \$50k worth of tickets for concerts and sporting events for him and pay his personal expenses.

2. Charles J. Rutherford, Tennessee

Charles J. Rutherford, the former Vice-President of Woods Paint Company of Bristol, Tenn. was sentenced to 18 months in jail (5/16) for evading the payment of over \$200k in federal income taxes by filing false and fraudulent income tax returns. From 2006-2014, Rutherford embezzled around \$1m by paying his own personal expenses out of Woods Paint Company while serving as VP.

Rutherford was obligated to report the embezzled money on his federal individual income tax returns even though the funds were stolen, but he failed to report the money for tax years 2008-2013. Nearly 10 years later he

was sentenced to jail and order to pay over \$1.2m in restitution to the IRS and Woods Paint Co.

3. Nikolaos Psaros, New Jersey

Nikolaos Psaros, the owner of two New Jersey shore area diners pleaded guilty to tax evasion (5/16). He pleaded guilty to one count of personal tax evasion for his 2010 tax return. His diners generated more than \$1m in annual revenue, some of which he diverted to his personal accounts, with a total tax loss to the government of \$480,475 which additionally included his failure to properly report all income he earned in 2009 on his personal income tax returns. He also failed to pay his payroll taxes and failed to file accurate employer's quarterly tax returns for 2008-2012. His tax crime for which he awaits sentencing is for tax evasion, which carries a maximum prison sentence of 5 years (and a fine).

In the words of Tracey D. Montano, Special Agent in Charge of the IRS-Criminal Investigation Division, Nashville, TN (Rutherford case):

"The IRS enforces the nation's tax laws... No matter what the source of income, all income is taxable. The prosecution of individuals who intentionally conceal income and evade taxes is a vital element of the IRS enforcement strategy."

