

IRS Criminal Tax Cases

November 2016

*Professor Dan Horsky
Ex-Congressman Aaron Schock
Former Chicago Alderman E. Vrdolyak
Attorney D. Genis*

Prepared by:
Sanford Millar
MillarLaw, A Professional Corporation

Gary S. Wolfe
THE WOLFE LAW GROUP



January 2017

IRS Criminal Tax Cases - November 2016 ©2017 Lorman Education Services. All Rights Reserved.

INTRODUCING

Lorman's New Approach to Continuing Education

ALL-ACCESS PASS

The All-Access Pass grants you **UNLIMITED** access to Lorman's ever-growing library of training resources:

- ☑ Unlimited Live Webinars - 120 live webinars added every month
- ☑ Unlimited OnDemand and MP3 Downloads - Over 1,500 courses available
- ☑ Videos - More than 700 available
- ☑ Slide Decks - More than 1700 available
- ☑ White Papers
- ☑ Reports
- ☑ Articles
- ☑ ... and much more!

Join the thousands of other pass-holders that have already trusted us for their professional development by choosing the All-Access Pass.



Get Your All-Access Pass Today!

SAVE 20%

Learn more: www.lorman.com/pass/?s=special20

Use Discount Code Q7014393 and Priority Code 18536 to receive the 20% AAP discount.

*Discount cannot be combined with any other discounts.

MILLARLAW

A PROFESSIONAL CORPORATION

Sanford I. Millar is the founder of MillarLaw a Professional Corporation. He is a Certified Specialist in Taxation Law and is admitted to practice before all courts in the State of California.

Mr. Millar is rated AV® Preeminent™ 5.0 out of 5 by Martindale-Hubbell, and named a Southern California Super Lawyer 2006–2017 (Los Angeles Magazine/Law & Politics Magazine).

"Among our strengths are dealing with the U.S. compliance for permanent residents and dual nationals. We can guide these individuals through the complex solutions offered in foreign financial account reporting, including Offshore Voluntary Disclosures. We can assist U.S. citizens living abroad with reporting business interests, foreign trusts and foreign financial accounts. We have expertise in tax controversy matters including Domestic and Foreign transaction issues."

Mr. Millar taught Partnership Taxation at UCLA Extension and CSUN Graduate School of Business; Advanced Corporate Taxation and Tax Procedure at USC Graduate School of Business.

For more information please visit our website: www.millarlawoffices.com

Sanford I. Millar
Los Angeles, California
Phone: 310-556-3007
Fax: 310-556-3094
Email: smillar@millarlaw.net

THE WOLFE LAW GROUP

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 January 2017, Gary Wolfe has internationally published 17 books and 110 articles. Gary has received 20 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.

For more information please visit our website: gswlaw.com

Gary S. Wolfe, A Professional Law Corporation
6303 Wilshire Blvd., Suite 201
Los Angeles, CA, 90048
Tel: 323-782-9139
Email: gsw@gswlaw.com

IRS Criminal Tax Cases 2016 – Professor Dan Horsky

Originally published on November 7, 2016 - www.gswlaw.com.

The US Attorney announced on 11/4/16 that Dan Horsky, Emeritus Professor of Business Administration at University of Rochester (age 71, citizen of US, UK and Israel) paid a \$100m civil penalty for hiding Swiss Bank Accounts from the US government (a FBAR penalty). He pleaded guilty to a conspiracy charge and awaits criminal sentencing in Feb. 2017. He faces prison and additional monetary penalties.

Horsky amassed \$200m by investing in start-up companies and held it in Zurich accounts. He did not disclose or pay tax to the IRS. He controlled the offshore accounts thru a nominee who had nominal control of the accounts but was under Horsky's control. The nominee filed a false expatriation statement with the bank to claim he was outside the US tax net.

Dana Boente, US Atty in Eastern District of VA stated: "Horsky went to great lengths to hide assets in secret accounts overseas in order to avoid paying his share of taxes to the IRS. Today's plea shows that we will continue to prosecute those who engage in this criminal activity."

For complete article see Department of Justice press release, [Emeritus Professor Pleads Guilty to Conspiring to Defraud the United States and to Submitting False Expatriation Statement](#)

IRS Criminal Tax Case 2016 – Ex-Congressman Aaron Schock

Originally published on November 16, 2016 - www.gswlaw.com.

Aaron Schock, former Illinois Republican Congressman, was indicted by the US government for filing false tax returns, wire fraud and theft of government funds for misuse of public & campaign funds to lavishly decorate his offices.

The Washington Post, in 2015, reported about lavish decorations in his Capitol Hill office (based on the PBS show "Downtown Abbey"), which lead to the investigation and indictment. He was charged with 24 separate counts including wire fraud, which is a sister felony to criminal tax evasion but has the most serious prison consequences (up to 20 years in jail).

Theft of government funds portends illegal income. All income is subject to tax reporting whether legally or illegally earned (IRC 61). If Schock illegally used government and/or campaign funds for his own personal use these funds are considered taxable income and subject to reporting.

Filing false tax returns is a 3-year felony (IRC 7206). The tax returns in question would appear to have not included declaring the conversion of public funds to private use as taxable income.

As stated by the US Department of Justice: "Schock's position in public office did not put him above the law"

For more information please see DOJ press release, [Former U.S. Representative Aaron Schock Indicted for Fraud, Theft of Government Funds, False Statements and Filing False Income Tax Returns.](#)

IRS Criminal Tax Cases 2016 – Former Chicago Alderman E. Vrdolyak and Attorney D. Genis

Originally published on November 30, 2016 - www.gswlaw.com.

Former Alderman Ed Vrdolyak

In November 2016, a federal grand jury charged former Chicago Alderman, Edward R. Vrdolyak with one count of impeding the IRS (a 3 year felony under IRC 7212) and an additional count of income tax evasion (a 5 year felony under IRC 7201). Vrdolyak faces an 8-year maximum prison sentence for allegedly trying to help his co-defendant, Attorney Daniel Soso (of Alsip firm) dodge Federal income taxes in connection with the State of Illinois \$9.3 billion tobacco settlement, of which \$188.5m was to be paid to outside law firms that helped with the litigation. Washington Attorney Steven Berman struck a secret deal with Soso and Vrdolyak to collect a percentage of the fee.

In May 1999, Berman allegedly sent Vrdolyak a letter on his letterhead indicating that Vrodlyak stood to collect \$65m, and Vrdolyak agreed in writing to give a portion of it to Soso. The IRS served Vrodlyak with a levy in 2005 and 2006 demanding that any money he owed to Soso be paid to the IRS. Vryodlyak response to the IRS was that he owed Soso nothing and he stopped paying Soso. Berman eventually paid Soso directly and he hid the money in accounts belonging to his relatives and girlfriend.

In 2010 and 2011, Vrdolyak directed \$170,242 to Soso and an unnamed recipient in connection with the tobacco settlement, which conflicted with Vrdolyak's statement that he owed Soso nothing.

Vrdolyak was to be arraigned November 22, 2016 and his defense attorney indicated he would plead not guilty.

The tax crimes committed by Vrdolyak appear to be for payments he directed to Soso on which Soso failed to declare as income or pay tax. Although there were only two counts alleged (income tax evasion, impeding the IRS), the same facts appear to support a third tax crime (conspiracy to commit tax evasion, 18 USC 371, in which two or more parties conspire to evade federal income taxes). However, conspiracy may be more difficult to prove under the government's burden of proof (i.e. beyond a reasonable doubt) since it requires proving the party's intent (i.e. *Scienter*). In these types of cases, the government seeks to indict taxpayers on cases with a high win rate probability with conspiracy often being more difficult to prove.

Attorney Darryl W. Genis

Darryl W. Genis, a Santa Barbara based criminal defense attorney, pled guilty in October 2016 to 3 counts of willfully failing to file tax returns and unpaid taxes of \$679,958 for tax years 2009, 2010, and 2011 (federal misdemeanors). Genis admitted that he made enough money in his law practice to require that he file tax returns in those years but that he knowingly and intentionally chose to not file his tax returns despite his legal obligations. Genis admitted that he did not pay the full amount of taxes he owed for the years 2005-2012. As part of his plea agreement, Genis agreed to pay restitution to the IRS in the amount of \$679,958 representing unpaid taxes for the years 2005-2012. Genis also agreed to the IRS's assessment of the civil penalties applicable to all 8 tax years in issue.

US Attorney Eileen M. Decker stated: "As an attorney this defendant had a heightened responsibility to follow the law, and instead he cheated the IRS and every law-abiding taxpayer in the country. Today's guilty pleas will deprive the

defendant of the fruits of his crimes and send a message that everyone must pay their taxes."

Anthony J. Orlando, Special Agent in Charge/IRS Criminal Investigation Division stated: "This case is a reminder that no one is above the law. Each of us is responsible for filing a tax return when required and for paying the correct amount of tax due. Mr. Genis chose to ignore his duty to file and pay taxes and will now face severe consequences, which may include imprisonment and substantial fines.

For more information see, [Santa Barbara Criminal Defense Attorney Pleads Guilty to Willfully Failing to File Tax Returns](#)

