



CATCHING TAX CHEATS

With the economy the way it is, we can expect some folks to roll the dice and see if they get away with cheating on their taxes.

But this situation is more than just inflating some deductions, or “forgetting” to include some gambling winnings.

This tax cheating thing also includes folks who seem to have made a way of life by scamming the IRS in some cases, and other taxpayers in other situations. In a few—but not many—cases, the tax cheat is an IRS employee!

This article is not an IRS bash. While an occasional employee abuses his or her power, more often than not the scenario starts with a taxpayer attempting to bribe the Revenue Officer. And in most cases, the Revenue Officer participates with the authorities in a sting operation that lands the taxpayer in jail.

At the Federal level, the lead agency for investigating tax abuse is the Treasury Inspector General for Tax Administration, usually called TIGTA.

Significantly, and prudently, TIGTA is not located inside the IRS. It is a part of the IRS’ parent organization, the US Treasury Department. It thus can investigate fraudulent and abusive schemes perpetrated by taxpayers (us) as well as actions by IRS employees (them).

TIGTA people tell great stories. They are always a favorite at the national IRS Forums that are held each year.

And now they’ve put their stories on the front page of their website for all of us to see. And since these stories have been litigated in court, the stories are part of the public record.

Yep, names, dates, and amounts.

These stories are interesting reading. Hopefully, they also are a caution to those of us who might be tempted to try “something”.



Here is a sampling of 2009 cases from the TIGTA website.

In March, Florida businessman Randy Nowak was sentenced to 30 years. Mr. Nowak was being audited, and he made a \$10,000 down payment to an undercover FBI agent. Nowak wanted the IRS auditor killed, because Nowak had hidden \$4,000,000 offshore, owed about \$300,000 in back taxes, and had not filed his corporate tax returns in four years.

Good audit target, wouldn’t you say?

In January, Michael Sabo was sentenced to a year in jail and a \$95,000 fine. He had falsified IRS Notices of Federal Tax Liens and filed them with the County Government offices in Las Vegas. These Notices must be signed by the appropriate IRS official, of course. Mr. Sabo signed his own name...

Also in January, Abdul Wahid pled guilty in California and was sentenced to 132 months in prison. Wahid owned and operated a tax return business called Global Accounting and Tax Service, where he prepared personal and corporate tax returns for his clients.

Wahid’s clients often owed large sums on their taxes. He had them give him the checks, which he promptly deposited into his own account, not paying the taxes.

To avoid detection, he then prepared a different return showing little or no tax due, and filed that return.

Here’s an IRS employee story. Most people who owe taxes paper mail their checks. These checks go to IRS lockboxes around the country. In Dallas, the employee responsible for collecting the checks just took them to the bank to deposit them into his own account.

Bank personnel immediately suspected forged checks, and called the police. After looking in the employee’s car—still in the bank parking lot—they found 12 checks totaling \$485,000. They also found an IRS ID card hanging from the rear view mirror. Duh.

One more. In March, 2008 a California man had a telephone conversation with an IRS agent who was auditing the man’s taxes. He owed \$32,000 in back taxes.

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During the telephone conversation, the man offered gifts and a \$5,000 payment to close the audit report with no money owed the Government.

Two weeks later, the taxpayer met the agent in person and gave him an envelope with \$4,900. He stated that the money was for the agent personally, and not for the money he owed in taxes.

In March, 2009, he pled guilty and is awaiting sentencing.

It's in the nature of the human condition to test the system—to see if you can get away with it. And undoubtedly some people do, at least for a while.

TIGTA stories tell us what happens when the system testers lose.

I'm willing to pay my share of taxes. After all, it's cheaper than buying my own aircraft carrier. But I'm glad someone is looking after those who won't pay their share.