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PRIVACY, GOVERNMENTAL
LIAISON AND DISCLOSURE

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

March 6, 2018

The Black Vault
John Greenewald, Jr.
27305 W Live Oak Rd, Ste #1203
Castaic, CA 91384

Dear Mr. Greenewald, Jr.:

This is our final response to your Freedom of Information Act (FOIA) request dated November 12, 2017 that we received on November 13, 2017.

You asked for all emails to or from Commissioner John Koskinen containing the word "moron" during the entire period he has held the position of Commissioner. Of the 192 pages located in response to your request, I am enclosing 192 pages. I am withholding seven pages in part for the following reason:

FOIA Exemption (b)(6)

This portion of FOIA exempts from disclosure files that, if released, would clearly be an unwarranted invasion of personal privacy. These include medical, personnel, and similar files. We base the determination to withhold on a balancing of interests between the protection of an individual's right to privacy and the public's right to access government information.

The Supreme Court ruled that Congress intended the "similar files" provision to be construed broadly, so that all information which applies to a particular individual qualifies for consideration under exemption (b)(6).

The redacted portions of each page are marked by the applicable FOIA exemptions. This constitutes a partial denial of your request.

We are providing your documents in electronic format. The enclosed CD contains your documents and is encrypted. The password to open the files is being mailed separately. There is no fee for processing your request. If you determine you need me to provide a printed copy of the documents please call Tax Law Specialist John Quigley at the phone number shown below. The final cost for paper documents is \$18.40 computed at 192 pages released in whole and in part, less 100 free pages, at .20 per page.

You may contact me, the FOIA Public Liaison, Laura A. McIntyre, to discuss your request at:

IRS Disclosure Office 10
1999 Broadway MS 7000 DEN
Denver, CO 80202
303-603-4734

The FOIA Public Liaison responds to FOIA and Privacy Act requests for copies of documents maintained by the IRS. There is no provision in either Act to resolve tax, collection, or processing issues and our staff is not trained to answer questions regarding those issues. If you need assistance with tax related issues you may call the IRS toll free number at 1-800-829-1040.

If you are unable to resolve your FOIA dispute through the FOIA Public Liaison, the Office of Government Information Services (OGIS), the Federal FOIA Ombudsman's Office, offers mediation services to help resolve disputes between FOIA requesters and Federal agencies. The contact information for OGIS is:

Office of Government Information Services
National Archives and Records Administration
8601 Adelphi Road--OGIS
College Park, MD 20740-6001
202-741-5770
877-684-6448
ogis@nara.gov
ogis.archives.gov

You have the right to file an administrative appeal within 90 days of the date of this letter. By filing an appeal, you preserve your rights under FOIA and give the agency a chance to review and reconsider your request and the agency's decision. I've enclosed Notice 393, *Information on an IRS Determination to Withhold Records Exempt From the Freedom of Information Act - 5 U.S.C. 552*, to explain your appeal rights.

If you have any questions please call Tax Law Specialist John M Quigley ID # 1000247712, at 510-907-5337 or write to: Internal Revenue Service, Centralized Processing Unit -PO Box 621506, Stop 211, Atlanta, GA 30362. Please refer to case number F18317-0021.

Sincerely,



Laura A McIntyre
Disclosure Manager
Disclosure Office 10

Enclosure
Responsive Records
Notice 393



Department of the Treasury Internal Revenue Service

Notice 393

(Rev. September 2016)

Information on an IRS Determination to Withhold Records Exempt From The Freedom of Information Act – 5 U.S.C. 552

Appeal Rights

You may file an appeal with the Internal Revenue Service (IRS) within 90 days after we (1) deny you access to a record in whole or in part; (2) have made an adverse determination as to your category as a requester; (3) deny your request for a fee waiver or reduction; or (4) have advised you that no records responsive to your request exist. You may file an appeal within 10 days when a request for expedited processing has been denied.

Your appeal must be in writing, must be signed by you, and must contain:

Your name and address,

- Description of the requested records,
- Date of the request (and a copy, if possible),
- Identity of the office and contact on the response letter, and
- Date of the letter denying the request (and a copy, if possible)

Mail your appeal to:

IRS Appeals

Attention: FOIA Appeals
M/Stop 55202
5045 E. Butler Ave.
Fresno, California 93727-5136

Judicial Review

If we deny your appeal, or do not address an issue raised in your appeal within 20 days (excluding Saturdays, Sundays, or legal public holidays) after the date we receive your appeal, you may file a complaint in United States District Court in the district in which (1) you reside; (2) your principal place of business is located; (3) the records are located; or (4) the District of Columbia. A complaint may be filed within 10 days (excluding Saturdays, Sundays, or legal public holidays) after the date we receive your appeal if your appeal is from an adverse determination of a request for expedited processing. If you choose to file suit before receipt of a final determination by the Appeals office, the administrative appeals process may cease.

The rule for effecting service of judicial process upon the Internal Revenue Service is set forth in Federal Rule of

Civil Procedure 4(i). In addition to service upon the United States, as set forth in Rule 4(i)(1), service must be made upon the Internal Revenue Service by registered or certified mail as set forth in Rule 4(i)(2)(A).

The address of the Internal Revenue Service is: Internal Revenue Service, Attention CC:PA, 1111 Constitution Avenue, N.W., Washington, D.C. 20224.

Exemptions

The Freedom of Information Act, 5 U.S.C. 552, does not apply to matters that are:

(b)(1) • specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy and are in fact properly classified under such executive order,

(b)(2) • related solely to the internal personnel rules and practices of an agency,

(b)(3) • specifically exempted from disclosure by statute (other than section 552b of this title), provided that the statute:

(A) requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue, or

(B) establishes particular criteria for withholding or refers to particular types of matters to be withheld.

Note: Internal Revenue Code sections 6103 and 6105 are statutes which qualify for exemption 3 treatment. Section 6103 protects the confidentiality of tax returns and information pertaining to a taxpayer collected by the IRS. Section 6105 protects information obtained from a foreign country under a tax treaty.

(b)(4) • trade secrets and commercial or financial information obtained from a person and privileged or confidential,

(b)(5) • inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency,

(b)(6) • personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy,

(b)(7) • records or information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information:

(A) could reasonably be expected to interfere with enforcement proceedings,

(B) would deprive a person of a right to a fair trial or an impartial adjudication,

(C) could reasonably be expected to constitute an unwarranted invasion of personal privacy,

(D) could reasonably be expected to disclose the identity of a confidential source, including a State, local or foreign agency or authority or any private institution which furnished information on a confidential basis, and, in the case of a record or information compiled by a criminal law enforcement authority in the course of a criminal investigation or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source,

(E) would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law, or

(F) could reasonably be expected to endanger the life or physical safety of any individual.

(b)(8) • contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions, or

(b)(9) • geological and geophysical information and data, including maps, concerning wells.



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March 6, 2018

The Black Vault
John Greenewald, Jr.
27305 W Live Oak Rd, Ste #1203
Castaic, CA 91384

Dear Mr. Greenewald, Jr.:

I am responding to your Freedom of Information Act (FOIA) request dated November 12, 2017 that we received on November 13, 2017.

I am sending you a CD with the requested information in a separate letter.

Your passphrase for F18317-0021 is #WtFK?78. To access the information on the CD, please follow the steps below:

1. Double click the .exe file to retrieve the documents.
2. Choose your destination on your system to extract the file.
3. Select Ok.
4. Enter the passphrase #WtFK?78 to decrypt your responsive documents.
5. Select Ok.

If you have any questions please call Tax Law Specialist John M Quigley ID # 1000247712, at 510-907-5337 or write to: Internal Revenue Service, Centralized Processing Unit – PO Box 621506, Stop 211, Atlanta, GA 30362. Please refer to case number F18317-0021.

Sincerely,

Laura A McIntyre
Disclosure Manager
Disclosure Office 10

Wassenaar Russell D

From: NteuCh47@aol.com
Sent: Saturday, December 20, 2014 6:08 AM
To: Koskinen John A
Subject: Attack on U

[Click here: IRS Delays Show Why Customer Come s Last With U.S. Government - Investors.com](#)

MORONS!sorry

Frank

From: *IRS Media Relations
Sent: Thursday, May 21, 2015 10:54 AM
Subject: In the News - May 21, 2015
Attachments: 052115.docx



In the News

May 21, 2015

NATIONAL MEDIA RELATIONS BRANCH 202-317-4000 IRS.Media.Relations@irs.gov

1. House Clears Research Credit as Hatch Eyes Summer for Extenders * Tax Notes Today
2. Health Care: IRS Answers New Questions on ACA Reporting for Employers * BNA Daily Tax Report
3. Oversight Subcommittee Examines Administrative ACA Actions * Tax Notes Today
4. No Revisions Planned for Qualified Intermediary Agreement * Tax Notes Today
5. Retirement Policy: Senators Ask Obama to Clarify Treatment under ERISA of State IRA Programs * BNA Daily Tax Report
6. Hawkins Casts Powerful Shadow over IRS Office of Professional Responsibility * Forbes
7. Over \$9.6M in Seized Gambling Assets Goes to Law Enforcement * Associated Press
8. IRS Cracks Down on Payroll Service Providers * Accounting Today
9. South Euclid Woman Sentenced to Five Years in Prison for Identity Theft * Cleveland.com
10. Glen Burnie Attorney Sentenced to One Year for False Tax Returns * Capital Gazette.com

Tax Notes Today

May 21, 2015

HOUSE CLEARS RESEARCH CREDIT AS HATCH EYES SUMMER FOR EXTENDERS

By Stephen Cooper

Defying a presidential veto threat, the House on May 20 approved on a 274-145 vote a \$ 181.6 billion permanent research credit bill as Senate Finance Committee Chair Orrin G. Hatch, R-Utah, expressed openness to a summer tax extender renewal push, which he said would be difficult.

Lawmakers approved the American Research and Competitiveness Act of 2015 (H.R. 880 (Doc 2015-3549)), offered by House Ways and Means Committee member Kevin Brady, R-Texas. The bill would provide a permanent, simplified method for calculating the research credit with a rate of 20 percent, and would change the base period for the basic credit from a fixed period to a three-year rolling average. Eligible small businesses with \$ 50 million or less in gross receipts would also be able to claim the credit against the alternative minimum tax.

During floor debate, Brady said that both Republicans and Democrats agree on the need to provide tax incentives that encourage companies to conduct research and development in America, not overseas. He called H.R. 880 a step toward comprehensive tax reform, and he faulted Democrats for withholding their support because the bill is not offset, especially since they previously supported shorter, unpaid extensions.

Rather than debating tax extenders, the House should be discussing tax reform that works for middle-income taxpayers, Ways and Means member Richard E. Neal, D-Mass, said during floor debate. "Instead, we are doing this hodgepodge effort on tax extenders that makes no sense."

The Joint Committee on Taxation released on May 20 a revenue estimate (JCX-86-15 (Doc 2015-12063)) showing that H.R. 880 would lose approximately \$ 181.6 billion over the next decade. In a statement of administration policy (Doc 2015-11992), the White House said it would veto the measure because it is not offset. "H.R. 880 violates the very standard that House and Senate Republicans approved less than a month ago in their concurrent budget resolution, which requires offsetting the cost of any tax extenders that are made permanent with other revenue measures," the statement reads.

Ways and Means Committee Chair Paul Ryan, R-Wis., has repeatedly rejected Democratic calls to offset tax extender legislation by raising taxes on other companies or individuals. Ryan has been working with Hatch on proposals to replenish federal highway funding, possibly as part tax reform, but the two taxwriters have not yet unveiled any proposals.

The House in February passed a package of permanent tax extender bills, including measures dealing with charitable giving, tax-free IRA distributions, and other tax provisions. (Prior coverage (Doc 2015-3606).)

Hatch 'Game,' but Guarded

Hours ahead of H.R. 880's advancement, Hatch said that renewing tax extenders this summer would be difficult, but that he was "game" to try.

"We'll have to see, that's hard to do," Hatch told reporters of the desire by Ryan and Finance Committee member John Thune, R-S.D., to combine action on extenders with tax reform or, more likely, highway funding. "Before the end of the year it's pretty hard to do," Hatch said. (Prior coverage (Doc 2015-11929).)

However, he also expressed frustration with past extender renewals, the most recent of which lasted mere weeks after a grand compromise to permanently renew some tax extenders fell apart. (Prior coverage (Doc 2014-30184).)

Tax extenders "always are a mess [because] some people want things that we just shouldn't be giving them," Hatch said before reconsidering his phrasing. "I shouldn't say a mess, but it's always difficult because some people get their extender in and others don't.

"And you know, that's just on the committee," Hatch added, noting that extender debates only increase in complexity as they reach the larger Senate and Congress as a whole.

However, Hatch later told Tax Analysts that although he had not yet decided for himself whether to pursue tax extender renewal over the summer, he was open to Ryan's vision of doing so as part of a multi-part tax agenda. "I'm game for that. I have a high opinion of Paul Ryan, and he's a serious guy," Hatch said, adding he and Ryan are on the same page and meet regularly.

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BNA Daily Tax Report

May 21, 2015

Health Care: IRS Answers New Questions on ACA Reporting for Employers

Large employers that didn't have full-time employees in any month of a year aren't required to report to the IRS for that year whether they offered employees health-care coverage that meets minimum value and affordability standards, the IRS said.

However, an applicable large employer under the Affordable Care Act—or one with at least 50 full-time employees and/or full-time equivalents—with no full-time employees must still file Form 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns, and Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, if it sponsors a self-insured health plan in which any employee or employee's spouse or dependent has enrolled.

The Internal Revenue Service provided the information in a May 19 update of its Web page with questions and answers on reporting offers of health insurance coverage.

The IRS also emphasized that an applicable large employer that did have a full-time employee in any month of the year must report under tax code Section 6056 for that year.

Who Must Report?

The update added several questions on which employers are required to report to the IRS on its health-care coverage.

The IRS said that a large employer is required to report with respect to a full-time employee that wasn't offered coverage during the year.

"For each of its full-time employees," the applicable large employer "is required to file Form 1095-C with the IRS and furnish a copy of Form 1095-C to the employee, regardless of whether or not health coverage was or was not offered to the employee."

Therefore, the IRS said, even if a large employer doesn't offer coverage to any of its full-timers, "it must file returns with the IRS and furnish statements to each of its full-time employees to report information specifying that coverage was not offered."

Minimum Essential Coverage.

The agency also addressed a question as to whether an employer that isn't considered an applicable large employer is required to file under Section 6056 if the employer sponsors a self-insured health plan that provides minimum essential coverage.

The IRS said such an employer isn't subject to Section 6056 reporting requirements, but that it would have to report on minimum essential coverage under Section 6055. It said such an employer will generally meet those requirements by filing Forms 1094-B, Transmittal of Health Coverage Information Returns, and 1095-B, Health Coverage.

The update also added answers on several other issues, among them reporting on qualifying offers and through the 98 percent offer method and furnishing employees who are leaving the company with a Form 1095-C.

The IRS Web page is at <http://op.bna.com/pen.nsf/r?Open=pkun-9wprz6>.

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Tax Notes Today

May 21, 2015

OVERSIGHT SUBCOMMITTEE EXAMINES ADMINISTRATIVE ACA ACTIONS

By Kaustuv Basu

Witnesses at a House Ways and Means Oversight Subcommittee hearing on the Affordable Care Act said May 20 that federal agencies have violated statutory authority in the way they have implemented some provisions of the ACA.

The hearing followed predictable partisan lines, with subcommittee Chair Peter J. Roskam, R-Ill., saying that the question was not whether the Obama administration was implementing the healthcare law, but "whether the administration was undermining the rule of law. And I believe the answer is yes."

Subcommittee ranking minority member John Lewis, D-Ga., said the hearing shouldn't be a platform for continued attacks on the ACA. "It's time for each and every one of us to face the truth: The Affordable Care Act is the law of the land, and we must do all we can to strengthen and improve it," he said.

Jonathan H. Adler, a law professor at Case Western Reserve University, said that even legal commentators who support the ACA say the Treasury Department did not have the legal authority to delay the employer mandate. "The assertion of unilateral authority to delay the employer mandate -- if ratified and accepted as a precedent for agency action in the future -- could mark a dramatic shift in the separation of powers," Adler said in his written testimony (Doc 2015-12065).

The mandate was delayed until 2016 for businesses with fewer than 100 employees, while those with over 100 employees must provide health insurance to 70 percent of their full-time employees in 2015 and to 95 percent of their full-time employees after that to avoid a penalty.

Adler said the ACA, as written, provides tax credits and subsidies only for health insurance plans in health exchanges established by the states.

The Supreme Court is expected to announce a decision in early June in *King v. Burwell*, S. Ct. Dkt. No. 14-114 (2014), regarding whether section 1311 of the ACA limits premium tax credits to individuals who purchase healthcare coverage through an insurance exchange established by a state or whether those purchasing insurance on the federal exchange are also eligible.

Douglas Elmendorf, former Congressional Budget Office director, said at a May 19 fiscal conference that it was commonly understood on Capitol Hill that subsidies would be available through the federal exchange as well as state exchanges. (Prior coverage (Doc 2015-11925).)

Robert N. Weiner of Arnold & Porter LLP in Washington, a former associate deputy attorney general in the Justice Department who helped oversee the legal defense of the ACA, said Treasury didn't suggest that it could rescind the employer mandate or waive it indefinitely. "The postponement in fact was well within the historical bounds of administrative discretion as a transitional phase-in of a new requirement," Weiner said in his written testimony (Doc 2015-12067).

ACA Contingency Plans

As House Republicans attacked the ACA, their Senate counterparts said they were considering multiple options to develop legislative text for a policy response to *King v. Burwell*, including refundable tax credits proposed by Ways and Means Committee Chair Paul Ryan, R-Wis.

"We're continuing to work on the options," said Sen. Lamar Alexander, R-Tenn., a leader of the Senate Republican task force to develop a healthcare contingency plan. No final decisions have been made, Alexander said, including on whether to adopt Ryan's preferred credits. "We're still talking about that; we're still working together," Alexander told Tax Analysts.

Senate Finance Committee member John Thune, R-S.D., one of Alexander's collaborators in that effort, told reporters May 19 that the group was examining different proposals, drafting legislative text, and working out issues with the revenue score, which will be produced by the Joint Committee on Taxation. Asked May 20 how a resolution would emerge, Thune characterized the discussion among his colleagues as a fluid process but said the group would eventually settle on an approach, citing a need to prepare various legal contingencies in anticipation of the Supreme Court's decision.

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Tax Notes Today

May 21, 2015

NO REVISIONS PLANNED FOR QUALIFIED INTERMEDIARY AGREEMENT

By William Davis

Rather than revise the qualified intermediary agreement (Doc 2014-16142), the IRS is "moving to the next phase and generating the 2017 agreement," according to an IRS official.

The current QI agreement, released in June 2014, contains more than 100 pages of guidance for entering into a QI withholding agreement with the IRS under reg. section 1.1441-1(e)(5). The IRS updated the agreement to reflect changes from the Foreign Account Tax Compliance Act. The agreement expires December 31, 2017. (Prior coverage (Doc 2015-11962).)

Speaking May 19 at the Executive Enterprise Institute Forum on International Tax Withholding and Information Reporting in New York, John Sweeney, branch 8 chief, IRS Office of Associate Chief Counsel (International), said the IRS has noticed a "few minor issues."

The Service has issued e-mails to QIs regarding those issues and has not heard many complaints from taxpayers about relying on the e-mails, Sweeney said.

Sweeney added that rather than revising the agreement, and barring any unforeseen circumstances, the IRS will begin generating the 2017 agreement. Treasury and the IRS, however, are considering issuing a notice first to address compliance issues not covered fully in the 2014 agreement that would be included in the 2017 agreement.

Section 871(m) Grandfathering

Steven Musher, IRS associate chief counsel (international), said the delayed effective date of the upcoming section 871(m) dividend equivalent withholding regulations means that they will apply only for contracts issued after January 1, 2017. (Prior coverage (Doc 2015-11123).)

Musher said the Service is considering letting the grandfathering provision for contracts issued before 2017 sunset to prevent taxpayers from issuing longer-term contracts before the regs' effective date to get the benefit of the grandfather clause.

Mike Gaffney of PricewaterhouseCoopers LLP on May 20 said he wondered whether the IRS plans on delaying the effective date of the final section 871(m) regs (REG-120282-10 (Doc 2013-27851)) issued in December 2013. The final regs only provide a safe harbor for some payments before January 1, 2016, after which the statute at section 871(m)(3)(B) treats any notional principal contract as a specified notional principal contract.

Gaffney said different effective dates under the same dividend equivalent withholding regime would cause hardship for taxpayers implementing the new systems for information reporting.

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BNA Daily Tax Report

May 21, 2015

Retirement Policy: Senators Ask Obama to Clarify Treatment under ERISA of State IRA Programs

By Laura Mahoney

Twenty-six Senate Democrats urged President Barack Obama to act swiftly to clarify treatment of state-sponsored private retirement savings programs for tax and benefit purposes, two years after California first requested federal guidance on the issues.

California is attempting to create the Secure Choice Retirement Savings Program under a 2012 law. A similar program is scheduled to launch June 1 in Illinois, but first requires a Labor Department ruling as to whether the Employee Retirement Income Security Act applies (17 DTR H-1, 1/27/15).

Both programs—and those under consideration in Oregon, Washington, Connecticut, New Jersey and several other states—hinge on treatment under federal tax and labor laws, the senators said.

The lawmakers asked Obama in the May 18 letter to direct the DOL and Treasury Department to clarify three key points:

- whether programs in California, Illinois and similar individual retirement account-type programs adopted by other states in the future are preempted by ERISA;
- whether the retirement savings vehicles and similar IRA-based vehicles are “plans” subject to ERISA rules; and
- whether contributions to those vehicles are tax-preferred at the federal level.

Triggering the Law.

They also asked the Obama administration to offer guidance on other types of state-based IRA vehicles that wouldn't be subject to ERISA, including program features that wouldn't trigger the federal law.

“Such clarifications are needed as soon as possible,” the senators said. “California and Illinois are in the midst of implementing their laws, and they need immediate guidance to help them move in the right direction. Other states considering similar initiatives are not far behind and also need guidance on the application of federal law as soon as possible.”

Sen. Patty Murray (D-Wash.), ranking member of the Health, Education, Labor and Pensions Committee, and Sen. Ron Wyden (D-Ore.), Finance Committee ranking member, signed the letter along with several prominent members of both panels.

Two Years Out.

Although the programs in California and Illinois are at least two years from operation, they would allow private-sector employers to choose a default, state-sponsored IRA program through which they would make payroll deductions for employees or a private vendor to offer specific types of investment vehicles for employee retirement savings.

An ERISA determination is likely to hinge on whether provisions allowing employees to opt out of automatic payroll deductions make them voluntary programs that don't trigger ERISA.

California's program is furthest along, and the Secure Choice Investment Board recently selected outside consultants to conduct a market analysis and feasibility study, as well as to provide legal services.

California Welcomes Support.

Senate President Pro Tempore Kevin de Leon (D), who authored the 2012 legislation creating California's program, welcomed the senators' letter that comes as the state tries to launch its program.

"I applaud the members of congress who are helping to ensure a smooth implementation of the California Secure Choice Retirement Savings Program, which has been a blueprint for other states to follow," de Leon said in a news release.

State Treasurer John Chiang (D), who serves on the Secure Choice board, echoed de Leon.

"This show of support from Congressional leaders is welcome as my office begins the critical design and construction work that aspires to yield a solution to the approaching retirement crisis," Chiang said in a news release.

A spokesman for Chiang told Bloomberg BNA May 20 that California officials haven't received a response from federal officials since asking for federal guidance on the tax and labor issues soon after the state law took effect.

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Forbes

May 21, 2015

Hawkins Casts Powerful Shadow over IRS Office of Professional Responsibility

By Jeremy Scott, Contributor

In March 2009 then-IRS Commissioner Douglas Shulman tapped Karen Hawkins to lead the agency's Office of Professional Responsibility. Hawkins had been slated to become the next chair of the American Bar Association Section of Taxation, but chose to take the commissioner up on his challenge to reinvigorate OPR. Six years later, Hawkins has dramatically transformed OPR, even if she hasn't quite accomplished as much as she intended.

Hawkins is leaving OPR in July. She leaves behind a record that will always be at least slightly tainted by the IRS's major overreach in its efforts to regulate return preparers, but the Loving decision striking down her regime should not obscure the fact that she is the probably the most recognizable OPR director the IRS has ever had. Hawkins was ubiquitous at conferences, meetings, and events, touting the importance of Circular 230 and reminding practitioners of their obligations. She fielded tough questions, gave in-depth previews of what OPR was going to do, and explained the reasoning behind increasingly controversial disciplinary actions. She was almost certainly one of the most visible IRS officials during Shulman's tenure.

But Hawkins didn't just change the style of how OPR operated. She altered the substance of its enforcement actions. She threatened firms with monetary penalties for the misconduct of their practitioners, something that would have been unheard of 10 years ago. She cleared the backlog of disciplinary cases and published numerous opinions about what actions were taken against those who didn't live up to their ethical obligations. OPR revised the covered opinion rules and the due diligence standard. And, of course, she ordered practitioners to finally stop putting those silly disclosures at the end of their e-mails.

Her major goal — a comprehensive regulatory regime for all those involved in the preparation of tax returns — collapsed at the hands of a federal district judge. The IRS also suffered litigation defeats in *Ridgely* and *Sexton*, both of which limited the scope of Circular 230 and OPR's authority. The preparer regime was the centerpiece of Hawkins's and Shulman's campaign to bring the seediest elements of the return preparation industry under the IRS's thumb. Its failure made clear the limitations of IRS power (regulations and old laws can only be stretched so far) and the need for legislative action. Loving also caused opposition to further IRS involvement in return preparation to solidify and find a voice in the form of several advocacy groups.

Hawkins will probably always face at least some criticism because of the overreach of the preparer regime, and some accusations that she was too favorable to the large practitioner groups such as the ABA and the American Institute of Certified Public Accountants. But she should more properly be remembered as the person who brought coherence to IRS Circular 230 enforcement and essentially rebuilt OPR from scratch.

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Associated Press

May 21, 2015

Over \$9.6M in Seized Gambling Assets Goes to Law Enforcement

ALBANY, N.Y. — The U.S. Attorney's office says more than \$9.6 million in assets seized in an international internet gambling takedown is being distributed to law enforcement agencies in New York and Florida as well as the federal government.

The Albany County Sheriff's Office is getting the biggest share, \$4.6 million, because it started the case. Funds are also going to the Albany and Saratoga county district attorneys' offices, the Broward County Sheriff's Office in south Florida, the Internal Revenue Service and the FBI.

U.S. Attorney Richard Hartunian says the case began as a gambling investigation targeting Albany County Jail officers but spawned a bigger probe of a cadre of gambling figures behind dozens of online betting sites.

In April 2013, 40 people were arrested or indicted on charges ranging from money laundering to wire fraud.

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Accounting Today

May 20, 2015

IRS Cracks Down on Payroll Service Providers

By James Paille

Improvements are needed to safeguard and protect employers that use payroll providers.

This was the basis of a recent report sent to the IRS by the Treasury Inspector General for Tax Administration TIGTA noted that several payroll providers have not been compliant with payments and filing requirements. This is the polite way of saying that several payroll companies have impounded taxes on behalf of their client and then did not remit them. The audit report also stated that processes are needed to link third party payers to employers, to reduce risks related to employment tax fraud.

TIGTA has classified four types of third party providers:

1. Payroll Service Providers, or PSPs, which have two types:
 - a. Basic PSPs that prepare signature-ready paper returns for employers to sign and file, and
 - b. PSPs that also impound and pay taxes.
2. Reporting agents are common payroll service companies that are a type of PSP, but also file an 8655 with the IRS, process tax returns, sign as reporting agents, and impound and pay taxes
3. Section 3504 agents, which file a 2678 with the IRS, report an aggregate return, and withhold and remit taxes
4. Professional Employer Organizations, or PEOs, file a return with the PEO Federal Employer Identification Number (FEIN), and impound and pay taxes with the PEO FEIN.

The TIGTA report found that processes have not been established to link employers to third parties. Only the Section 3504 agents can be crosschecked. Also, as many PSPs know, the 8655 process is not completely accurate. Sometimes the IRS does not receive the 8655, and thus the connection is not established between the PSP and the employer. Many PSPs find this out when trying to resolve a notice and the IRS representative will not talk to the PSP since the 8655 has not been recorded by the IRS.

TIGTA has made five recommendations for improvement:

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It should be noted that Rev Procedure 2012-32 is in effect, and PSPs are required to clearly state the IRS rules for impounding and remitting taxes in writing every quarter. Employers are also encouraged to check the deposits by enrolling in EFTPS. The language must be exact or similar to the following:

Please be aware that you are responsible for the timely filing of employment tax returns and the timely payment of employment taxes for your employees, even if you have authorized a third party to file the returns and make the payments. Therefore, the Internal Revenue Service recommends that you enroll in the U.S. Treasury Department's Electronic Federal Tax Payment System (EFTPS) to monitor your account and ensure that timely tax payments are being made for you. You may enroll in the EFTPS online at www.eftps.gov, or call (800) 555- 4477 for an enrollment form. State tax authorities generally offer similar means to verify tax payments. Contact the appropriate state offices directly for details.

Certain states have chimed in as well. Today, Maine is the only state that requires PSPs to be licensed and bonded to provide common payroll services. Maryland and, most recently, North Carolina are also considering legislation. In my opinion, it is significantly better if the federal government embraces this effort, instead of the possibility of having rules from 50 different states in the future. In the meantime, we'll continue to watch for developments.

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Cleveland.com

May 20, 2015

South Euclid Woman Sentenced to Five Years in Prison for Identity Theft

CLEVELAND, Ohio — A South Euclid woman who stole the identities of 16 people and used them to collect fraudulent tax refunds was sentenced Wednesday to more than five years in prison.

Keauna Smith, 30, filed the tax returns with computer software between 2012-14, when the Internal Revenue Service found out what was going on. She had the money loaded onto prepaid debit cards and accessed the money at ATMs.

She also stole \$26,300 from her former employer, Metaloy, by writing company checks to herself and forging her boss's signature.

She pleaded guilty in February to three counts of wire fraud, one count of bank fraud and three counts of aggravated identity theft. Chief U.S. District Judge Solomon Oliver Jr., before handing down his sentence, called Smith's crimes "pretty extensive."

"I also think it's pretty dumb, to be honest with you," he continued.

According to her indictment, Smith used the 16 stolen identities to file 18 tax returns. She claimed \$44,306, though prosecutors said Smith's tax scheme was more extensive and included fraudulent returns filed for others.

The judge ordered Smith to pay \$261,524 in restitution. She will be on supervised release for three years and will not be allowed to use a computer without permission.

Smith has been in jail since February, after Magistrate Judge Nancy Vecchiarelli found that she violated the terms of her release by using marijuana. She apologized for her actions, saying she committed the crimes to provide for her family.

After Smith pleaded guilty, IRS Special Agent Ellen Lacy found more evidence that Smith had filed more fraudulent tax returns the previous month, Assistant U.S. Attorney Jim Moroney said during the hearing.

She has not been charged, though, and her attorney, Leif Christman, said his client denies those allegations.

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CapitalGazette.com

May 20, 2015

Glen Burnie Attorney Sentenced to One Year for False Tax Returns

By Ben Weathers

A Glen Burnie lawyer will serve one year in prison for filing false tax returns, federal prosecutors announced on Wednesday.

Don F. Lindner, 61, of Severna Park was sentenced to one year and one day in prison, as well as ordered to pay nearly \$342,000 in restitution to the Internal Revenue Service by U.S. District Court Judge William D. Quarles Jr.

From 2007 to 2011, Lindner omitted more than \$1.2 million of gross receipts from his Glen Burnie law practice. The 61-year-old also falsely reported some \$87,200 in repairs at a separate rental property, prosecutors said.

No repairs were ever done, fraudulently decreasing Lindner's purported taxable income, prosecutors said.

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Tax Notes Today

May 21, 2015

HOUSE CLEARS RESEARCH CREDIT AS HATCH EYES SUMMER FOR EXTENDERS

By Stephen Cooper

Defying a presidential veto threat, the House on May 20 approved on a 274-145 vote a \$ 181.6 billion permanent research credit bill as Senate Finance Committee Chair Orrin G. Hatch, R-Utah, expressed openness to a summer tax extender renewal push, which he said would be difficult.

Lawmakers approved the American Research and Competitiveness Act of 2015 (H.R. 880 (Doc 2015-3549)), offered by House Ways and Means Committee member Kevin Brady, R-Texas. The bill would provide a permanent, simplified method for calculating the research credit with a rate of 20 percent, and would change the base period for the basic credit from a fixed period to a three-year rolling average. Eligible small businesses with \$ 50 million or less in gross receipts would also be able to claim the credit against the alternative minimum tax.

During floor debate, Brady said that both Republicans and Democrats agree on the need to provide tax incentives that encourage companies to conduct research and development in America, not overseas. He called H.R. 880 a step toward comprehensive tax reform, and he faulted Democrats for withholding their support because the bill is not offset, especially since they previously supported shorter, unpaid extensions.

Rather than debating tax extenders, the House should be discussing tax reform that works for middle-income taxpayers, Ways and Means member Richard E. Neal, D-Mass, said during floor debate. "Instead, we are doing this hodgepodge effort on tax extenders that makes no sense."

The Joint Committee on Taxation released on May 20 a revenue estimate (JCX-86-15 (Doc 2015-12063)) showing that H.R. 880 would lose approximately \$ 181.6 billion over the next decade. In a statement of administration policy (Doc 2015-11992), the White House said it would veto the measure because it is not offset. "H.R. 880 violates the very standard that House and Senate Republicans approved less than a month ago in their concurrent budget resolution, which requires offsetting the cost of any tax

extenders that are made permanent with other revenue measures," the statement reads.

Ways and Means Committee Chair Paul Ryan, R-Wis., has repeatedly rejected Democratic calls to offset tax extender legislation by raising taxes on other companies or individuals. Ryan has been working with Hatch on proposals to replenish federal highway funding, possibly as part tax reform, but the two taxwriters have not yet unveiled any proposals.

The House in February passed a package of permanent tax extender bills, including measures dealing with charitable giving, tax-free IRA distributions, and other tax provisions. (Prior coverage (Doc 2015-3606).)

Hatch 'Game,' but Guarded

Hours ahead of H.R. 880's advancement, Hatch said that renewing tax extenders this summer would be difficult, but that he was "game" to try.

"We'll have to see, that's hard to do," Hatch told reporters of the desire by Ryan and Finance Committee member John Thune, R-S.D., to combine action on extenders with tax reform or, more likely, highway funding. "Before the end of the year it's pretty hard to do," Hatch said. (Prior coverage (Doc 2015-11929).)

However, he also expressed frustration with past extender renewals, the most recent of which lasted mere weeks after a grand compromise to permanently renew some tax extenders fell apart. (Prior coverage (Doc 2014-30184).)

Tax extenders "always are a mess [because] some people want things that we just shouldn't be giving them," Hatch said before reconsidering his phrasing. "I shouldn't say a mess, but it's always difficult because some people get their extender in and others don't.

"And you know, that's just on the committee," Hatch added, noting that extender debates only increase in complexity as they reach the larger Senate and Congress as a whole.

However, Hatch later told Tax Analysts that although he had not yet decided for himself whether to pursue tax extender renewal over the summer, he was open to Ryan's vision of doing so as part of a multi-part tax agenda. "I'm game for that. I have a high opinion

of Paul Ryan, and he's a serious guy," Hatch said, adding he and Ryan are on the same page and meet regularly.

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BNA Daily Tax Report

May 21, 2015

Health Care: IRS Answers New Questions on ACA Reporting for Employers

Large employers that didn't have full-time employees in any month of a year aren't required to report to the IRS for that year whether they offered employees health-care coverage that meets minimum value and affordability standards, the IRS said.

However, an applicable large employer under the Affordable Care Act—or one with at least 50 full-time employees and/or full-time equivalents—with no full-time employees must still file Form 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns, and Form 1095-C, Employer-Provided Health Insurance Offer and Coverage, if it sponsors a self-insured health plan in which any employee or employee's spouse or dependent has enrolled.

The Internal Revenue Service provided the information in a May 19 update of its Web page with questions and answers on reporting offers of health insurance coverage.

The IRS also emphasized that an applicable large employer that did have a full-time employee in any month of the year must report under tax code Section 6056 for that year.

Who Must Report?

The update added several questions on which employers are required to report to the IRS on its health-care coverage.

The IRS said that a large employer is required to report with respect to a full-time employee that wasn't offered coverage during the year.

"For each of its full-time employees," the applicable large employer "is required to file Form 1095-C with the IRS and furnish a copy of Form 1095-C to the employee, regardless of whether or not health coverage was or was not offered to the employee."

Therefore, the IRS said, even if a large employer doesn't offer coverage to any of its full-timers, "it must file returns with the IRS and furnish statements to each of its full-time employees to report information specifying that coverage was not offered."

Minimum Essential Coverage.

The agency also addressed a question as to whether an employer that isn't considered an applicable large employer is required to file under Section 6056 if the employer sponsors a self-insured health plan that provides minimum essential coverage.

The IRS said such an employer isn't subject to Section 6056 reporting requirements, but that it would have to report on minimum essential coverage under Section 6055. It said such an employer will generally meet those requirements by filing Forms 1094-B, Transmittal of Health Coverage Information Returns, and 1095-B, Health Coverage.

The update also added answers on several other issues, among them reporting on qualifying offers and through the 98 percent offer method and furnishing employees who are leaving the company with a Form 1095-C.

The IRS Web page is at <http://op.bna.com/pen.nsf/r?Open=pkun-9wprz6>.

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Tax Notes Today

May 21, 2015

OVERSIGHT SUBCOMMITTEE EXAMINES ADMINISTRATIVE ACA ACTIONS

By Kaustuv Basu

Witnesses at a House Ways and Means Oversight Subcommittee hearing on the Affordable Care Act said May 20 that federal agencies have violated statutory authority in the way they have implemented some provisions of the ACA.

The hearing followed predictable partisan lines, with subcommittee Chair Peter J. Roskam, R-Ill., saying that the question was not whether the Obama administration was implementing the healthcare law, but "whether the administration was undermining the rule of law. And I believe the answer is yes."

Subcommittee ranking minority member John Lewis, D-Ga., said the hearing shouldn't be a platform for continued attacks on the ACA. "It's time for each and every one of us to face the truth: The Affordable Care Act is the law of the land, and we must do all we can to strengthen and improve it," he said.

Jonathan H. Adler, a law professor at Case Western Reserve University, said that even legal commentators who support the ACA say the Treasury Department did not have the legal authority to delay the employer mandate. "The assertion of unilateral authority to delay the employer mandate -- if ratified and accepted as a precedent for agency action in the future -- could mark a dramatic shift in the separation of powers," Adler said in his written testimony (Doc 2015-12065).

The mandate was delayed until 2016 for businesses with fewer than 100 employees, while those with over 100 employees must provide health insurance to 70 percent of their full-time employees in 2015 and to 95 percent of their full-time employees after that to avoid a penalty.

Adler said the ACA, as written, provides tax credits and subsidies only for health insurance plans in health exchanges established by the states.

The Supreme Court is expected to announce a decision in early June in *King v. Burwell*, S. Ct. Dkt. No. 14-114 (2014), regarding whether section 1311 of the ACA limits premium tax credits to individuals who purchase healthcare coverage through an

insurance exchange established by a state or whether those purchasing insurance on the federal exchange are also eligible.

Douglas Elmendorf, former Congressional Budget Office director, said at a May 19 fiscal conference that it was commonly understood on Capitol Hill that subsidies would be available through the federal exchange as well as state exchanges. (Prior coverage (Doc 2015-11925).)

Robert N. Weiner of Arnold & Porter LLP in Washington, a former associate deputy attorney general in the Justice Department who helped oversee the legal defense of the ACA, said Treasury didn't suggest that it could rescind the employer mandate or waive it indefinitely. "The postponement in fact was well within the historical bounds of administrative discretion as a transitional phase-in of a new requirement," Weiner said in his written testimony (Doc 2015-12067).

ACA Contingency Plans

As House Republicans attacked the ACA, their Senate counterparts said they were considering multiple options to develop legislative text for a policy response to King v. Burwell, including refundable tax credits proposed by Ways and Means Committee Chair Paul Ryan, R-Wis.

"We're continuing to work on the options," said Sen. Lamar Alexander, R-Tenn., a leader of the Senate Republican task force to develop a healthcare contingency plan. No final decisions have been made, Alexander said, including on whether to adopt Ryan's preferred credits. "We're still talking about that; we're still working together," Alexander told Tax Analysts.

Senate Finance Committee member John Thune, R-S.D., one of Alexander's collaborators in that effort, told reporters May 19 that the group was examining different proposals, drafting legislative text, and working out issues with the revenue score, which will be produced by the Joint Committee on Taxation. Asked May 20 how a resolution would emerge, Thune characterized the discussion among his colleagues as a fluid process but said the group would eventually settle on an approach, citing a need to prepare various legal contingencies in anticipation of the Supreme Court's decision.

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Tax Notes Today

May 21, 2015

NO REVISIONS PLANNED FOR QUALIFIED INTERMEDIARY AGREEMENT

By William Davis

Rather than revise the qualified intermediary agreement (Doc 2014-16142), the IRS is "moving to the next phase and generating the 2017 agreement," according to an IRS official.

The current QI agreement, released in June 2014, contains more than 100 pages of guidance for entering into a QI withholding agreement with the IRS under reg. section 1.1441-1(e)(5). The IRS updated the agreement to reflect changes from the Foreign Account Tax Compliance Act. The agreement expires December 31, 2017. (Prior coverage (Doc 2015-11962).)

Speaking May 19 at the Executive Enterprise Institute Forum on International Tax Withholding and Information Reporting in New York, John Sweeney, branch 8 chief, IRS Office of Associate Chief Counsel (International), said the IRS has noticed a "few minor issues."

The Service has issued e-mails to QIs regarding those issues and has not heard many complaints from taxpayers about relying on the e-mails, Sweeney said.

Sweeney added that rather than revising the agreement, and barring any unforeseen circumstances, the IRS will begin generating the 2017 agreement. Treasury and the IRS, however, are considering issuing a notice first to address compliance issues not covered fully in the 2014 agreement that would be included in the 2017 agreement.

Section 871(m) Grandfathering

Steven Musher, IRS associate chief counsel (international), said the delayed effective date of the upcoming section 871(m) dividend equivalent withholding regulations means that they will apply only for contracts issued after January 1, 2017. (Prior coverage (Doc 2015-11123).)

Musher said the Service is considering letting the grandfathering provision for contracts issued before 2017 sunset to prevent taxpayers from issuing longer-term contracts before the regs' effective date to get the benefit of the grandfather clause.

Mike Gaffney of PricewaterhouseCoopers LLP on May 20 said he wondered whether the IRS plans on delaying the effective date of the final section 871(m) regs (REG-120282-10 (Doc 2013-27851)) issued in December 2013. The final regs only provide a safe harbor for some payments before January 1, 2016, after which the statute at section 871(m)(3)(B) treats any notional principal contract as a specified notional principal contract.

Gaffney said different effective dates under the same dividend equivalent withholding regime would cause hardship for taxpayers implementing the new systems for information reporting.

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BNA Daily Tax Report

May 21, 2015

Retirement Policy: Senators Ask Obama to Clarify Treatment under ERISA of State IRA Programs

By Laura Mahoney

Twenty-six Senate Democrats urged President Barack Obama to act swiftly to clarify treatment of state-sponsored private retirement savings programs for tax and benefit purposes, two years after California first requested federal guidance on the issues.

California is attempting to create the Secure Choice Retirement Savings Program under a 2012 law. A similar program is scheduled to launch June 1 in Illinois, but first requires a Labor Department ruling as to whether the Employee Retirement Income Security Act applies (17 DTR H-1, 1/27/15).

Both programs—and those under consideration in Oregon, Washington, Connecticut, New Jersey and several other states—hinge on treatment under federal tax and labor laws, the senators said.

The lawmakers asked Obama in the May 18 letter to direct the DOL and Treasury Department to clarify three key points:

- whether programs in California, Illinois and similar individual retirement account-type programs adopted by other states in the future are preempted by ERISA;
- whether the retirement savings vehicles and similar IRA-based vehicles are “plans” subject to ERISA rules; and
- whether contributions to those vehicles are tax-preferred at the federal level.

Triggering the Law.

They also asked the Obama administration to offer guidance on other types of state-based IRA vehicles that wouldn't be subject to ERISA, including program features that wouldn't trigger the federal law.

“Such clarifications are needed as soon as possible,” the senators said. “California and Illinois are in the midst of implementing their laws, and they need immediate guidance to help them move in the right direction. Other states considering similar initiatives are not

far behind and also need guidance on the application of federal law as soon as possible.”

Sen. Patty Murray (D-Wash.), ranking member of the Health, Education, Labor and Pensions Committee, and Sen. Ron Wyden (D-Ore.), Finance Committee ranking member, signed the letter along with several prominent members of both panels.

Two Years Out.

Although the programs in California and Illinois are at least two years from operation, they would allow private-sector employers to choose a default, state-sponsored IRA program through which they would make payroll deductions for employees or a private vendor to offer specific types of investment vehicles for employee retirement savings.

An ERISA determination is likely to hinge on whether provisions allowing employees to opt out of automatic payroll deductions make them voluntary programs that don't trigger ERISA.

California's program is furthest along, and the Secure Choice Investment Board recently selected outside consultants to conduct a market analysis and feasibility study, as well as to provide legal services.

California Welcomes Support.

Senate President Pro Tempore Kevin de Leon (D), who authored the 2012 legislation creating California's program, welcomed the senators' letter that comes as the state tries to launch its program.

“I applaud the members of congress who are helping to ensure a smooth implementation of the California Secure Choice Retirement Savings Program, which has been a blueprint for other states to follow,” de Leon said in a news release.

State Treasurer John Chiang (D), who serves on the Secure Choice board, echoed de Leon.

“This show of support from Congressional leaders is welcome as my office begins the critical design and construction work that aspires to yield a solution to the approaching retirement crisis,” Chiang said in a news release.

A spokesman for Chiang told Bloomberg BNA May 20 that California officials haven't received a response from federal officials since asking for federal guidance on the tax and labor issues soon after the state law took effect.

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Forbes

May 21, 2015

Hawkins Casts Powerful Shadow over IRS Office of Professional Responsibility

By Jeremy Scott, Contributor

In March 2009 then-IRS Commissioner Douglas Shulman tapped Karen Hawkins to lead the agency's Office of Professional Responsibility. Hawkins had been slated to become the next chair of the American Bar Association Section of Taxation, but chose to take the commissioner up on his challenge to reinvigorate OPR. Six years later, Hawkins has dramatically transformed OPR, even if she hasn't quite accomplished as much as she intended.

Hawkins is leaving OPR in July. She leaves behind a record that will always be at least slightly tainted by the IRS's major overreach in its efforts to regulate return preparers, but the Loving decision striking down her regime should not obscure the fact that she is the probably the most recognizable OPR director the IRS has ever had. Hawkins was ubiquitous at conferences, meetings, and events, touting the importance of Circular 230 and reminding practitioners of their obligations. She fielded tough questions, gave in-depth previews of what OPR was going to do, and explained the reasoning behind increasingly controversial disciplinary actions. She was almost certainly one of the most visible IRS officials during Shulman's tenure.

But Hawkins didn't just change the style of how OPR operated. She altered the substance of its enforcement actions. She threatened firms with monetary penalties for the misconduct of their practitioners, something that would have been unheard of 10 years ago. She cleared the backlog of disciplinary cases and published numerous opinions about what actions were taken against those who didn't live up to their ethical obligations. OPR revised the covered opinion rules and the due diligence standard. And, of course, she ordered practitioners to finally stop putting those silly disclosures at the end of their e-mails.

Her major goal — a comprehensive regulatory regime for all those involved in the preparation of tax returns — collapsed at the hands of a federal district judge. The IRS also suffered litigation defeats in *Ridgely* and *Sexton*, both of which limited the scope of Circular 230 and OPR's authority. The preparer regime was the centerpiece of Hawkins's and Shulman's campaign to bring the seediest elements of the return preparation industry under the IRS's thumb. Its failure made clear the limitations of IRS power (regulations and old laws can only be stretched so far) and the need for

legislative action. Loving also caused opposition to further IRS involvement in return preparation to solidify and find a voice in the form of several advocacy groups.

Hawkins will probably always face at least some criticism because of the overreach of the preparer regime, and some accusations that she was too favorable to the large practitioner groups such as the ABA and the American Institute of Certified Public Accountants. But she should more properly be remembered as the person who brought coherence to IRS Circular 230 enforcement and essentially rebuilt OPR from scratch.

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Associated Press

May 21, 2015

Over \$9.6M in Seized Gambling Assets Goes to Law Enforcement

ALBANY, N.Y. — The U.S. Attorney's office says more than \$9.6 million in assets seized in an international internet gambling takedown is being distributed to law enforcement agencies in New York and Florida as well as the federal government. The Albany County Sheriff's Office is getting the biggest share, \$4.6 million, because it started the case. Funds are also going to the Albany and Saratoga county district attorneys' offices, the Broward County Sheriff's Office in south Florida, the Internal Revenue Service and the FBI.

U.S. Attorney Richard Hartunian says the case began as a gambling investigation targeting Albany County Jail officers but spawned a bigger probe of a cadre of gambling figures behind dozens of online betting sites.

In April 2013, 40 people were arrested or indicted on charges ranging from money laundering to wire fraud.

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Accounting Today

May 20, 2015

IRS Cracks Down on Payroll Service Providers

By James Paille

Improvements are needed to safeguard and protect employers that use payroll providers.

This was the basis of a recent report sent to the IRS by the Treasury Inspector General for Tax Administration. TIGTA noted that several payroll providers have not been compliant with payments and filing requirements. This is the polite way of saying that several payroll companies have impounded taxes on behalf of their client and then did not remit them. The audit report also stated that processes are needed to link third party payers to employers, to reduce risks related to employment tax fraud.

TIGTA has classified four types of third party providers:

1. Payroll Service Providers, or PSPs, which have two types:
 - a. Basic PSPs that prepare signature-ready paper returns for employers to sign and file, and
 - b. PSPs that also impound and pay taxes.
2. Reporting agents are common payroll service companies that are a type of PSP, but also file an 8655 with the IRS, process tax returns, sign as reporting agents, and impound and pay taxes
3. Section 3504 agents, which file a 2678 with the IRS, report an aggregate return, and withhold and remit taxes
4. Professional Employer Organizations, or PEOs, file a return with the PEO Federal Employer Identification Number (FEIN), and impound and pay taxes with the PEO FEIN.

The TIGTA report found that processes have not been established to link employers to third parties. Only the Section 3504 agents can be crosschecked. Also, as many PSPs know, the 8655 process is not completely accurate. Sometimes the IRS does not receive the 8655, and thus the connection is not established between the PSP and the employer. Many PSPs find this out when trying to resolve a notice and the IRS representative will not talk to the PSP since the 8655 has not been recorded by the IRS.

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4. The commissioner of the IRS's Wage and Investment Division, can develop a process to ensure 8655s are captured in the IRS system accurately. The IRS agrees with this recommendation (PSPs, rejoice!).
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In my opinion, it is significantly better if the federal government embraces this effort, instead of the possibility of having rules from 50 different states in the future. In the meantime, we'll continue to watch for developments.

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Cleveland.com

May 20, 2015

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May 20, 2015

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Criminal Investigation Daily News – July 20, 2015

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FULL TEXT ARTICLES

1. Forbes

July 17, 2015

Former U.S. Representative Grimm Sentenced To Prison For Tax Fraud

Kelly Phillips Erb

Former U.S. Representative Michael Grimm (R-NY) got something of a break earlier today when he was sentenced to just eight months in prison on tax related charges. He had faced up to three years in prison after pleading guilty to one felony count of tax fraud.

At the time of Grimm's plea, U.S. Attorney Loretta E. Lynch noted that he had "signed a statement admitting to the conduct underlying every charge filed against him." The charges included hiring undocumented workers and paying them in cash. It also included causing "numerous false business and personal tax returns to be filed for several years" and lying "under oath to cover up his crimes."

Grimm originally pleaded not guilty to a 21 count indictment which could have resulted in more than 20 years in prison.

The beleaguered politician also initially refused to resign from his seat in Congress, saying, "As I said before as long as I am able to serve I will serve." However, bowing to pressures from colleagues, including, reportedly, House Speaker John Boehner (R-OH), Grimm eventually announced his resignation.

Despite his indictment and the charges against him, Grimm was overwhelmingly re-elected to his seat in 2014. Allegations that he had lied under oath while serving as a member of Congress didn't affect his popularity, nor did an ethics investigation for possible campaign finance violations. And when that investigation turned sour, with Grimm threatening a reporter, "I'll throw you off this (expletive) balcony" and "I'll break you in half" – a confrontation which was caught on tape – Grimm's constituency still continued to back him.

However, it appears that Grimm's lucky streak finally ended. While Grimm told U.S. District Judge Pamela Chen that the damage to his reputation was punishment enough, Judge Chen disagreed, sentencing Grimm to eight months in prison. As part of his plea agreement, he must also pay restitution to the Internal Revenue Service (IRS), the New York State Department of Taxation and Finance, and the New York State Insurance Fund (NYSIF).

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2. Salem Patch

July 18, 2015

Man Pleads Guilty to Tax Evasion

William Richmond, formerly of Atkinson, perpetrated a wire fraud scheme and failed to disclose criminally derived income on his tax returns.

By Tony Schinella

William M. Richmond, 59, formerly of Atkinson, pleaded guilty to three counts of tax evasion for failing to report substantial illicit income he received from a wire fraud scheme from 2006 through 2008, reports Acting United States Attorney Donald Feith in a recent press release.

From on or about May 18, 2005, through in and around April 2009, Richmond held a durable power of attorney to act for the benefit of Richard Piller. It gave him plenary power to manage Piller's personal and business financial interests and obligations while Piller and his then wife, Joan Ettelson Piller (Ettelson), were out of the country for extended periods.

Richmond used the Power of Attorney to perpetrate a wire fraud scheme through which he used Piller's and Ettelson's funds to pay his personal and business expenses. Richmond failed to disclose that criminally derived income on his tax returns for 2006, 2007, and 2008, and he failed to list the substantial additional taxes he owed for each year based on that income. Instead, Richmond falsely claimed that his only income was taxable interest and that he owed no taxes for each of the three years.

Richmond is facing a maximum sentence of five years in prison and a maximum fine of \$250,000. Under the terms of a plea agreement, Richmond will also be ordered to pay restitution of an amount to be determined by the court to Richard Piller and Joan Ettelson. A sentencing hearing has been scheduled for November 3, 2015. This case was investigated by special agents of the FBI and the IRS – Criminal Investigation. It is being prosecuted by Assistant United States Attorney Mark S. Zuckerman.

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3. Savannah Morning News

July 17, 2015

Former Savannah preacher to serve almost 10 years in tax fraud scheme

SAVANNAH | Xavier Franklin Lewis, the former pastor of the Holy Ghost Praise and Deliverance Ministries outside of Savannah, was sentenced last week to 119 months' imprisonment for his role as the check casher in a stolen identity tax fraud scheme.

Late last year, a jury found Lewis guilty of 22 counts, including submitting false claims to the IRS, theft of public money, aggravated identity theft, operation of an unlicensed money transmitting business, and bank fraud, according to a release from the office of U.S. Attorney Edward J. Tarver..

According to the evidence presented during the trial and the sentencing hearing, Lewis used a number of separate bank accounts he controlled, including three accounts opened in the name of his church, to negotiate more than 90 government-funded tax refund checks.

Lewis obtained the checks after they were either generated as the result of submitting a fraudulent income tax return with the IRS or were generated at the legitimate request of a taxpayer but stolen from the mail before it reached its final destination. In total, Lewis fraudulently negotiated nearly \$250,000 worth of government-funded checks.

“This case should serve as notice to those who would abuse the trust of the American people to enrich themselves – if you attempt to rip off the taxpayers of this great country, you should expect to spend time in prison,” Tarver said.

“We would like this verdict and sentence to serve as a strong message that there are consequences for stealing and using other individuals’ personal identifying information,” said IRS Special Agent in Charge Veronica F. Hyman-Pillot. “Individuals who devise schemes to steal public money face federal prosecution and federal prison.”

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4. Accounting Today
July 18, 2015

Tax Fraud Blotter: Multiservice, Multi-Arrests
By Jeff Stimpson

Some of our favorite recent tax fraud cases.

Jacksonville, Fla.: Preparer Thomas Bandzul has been sentenced to 18 months in federal prison for wire fraud and been ordered to pay \$311,824 in restitution to the IRS for excessive refunds that he had claimed on behalf of clients and excessive refunds that he claimed on his individual returns for two years.

According to court records, from January 2008 through May 2011 Bandzul, a preparer in two local Florida counties, made false claims for deductions and credits on 32 returns on behalf of clients, which inflated the refunds.

As part of a scheme, Bandzul prepared and furnished one return to his clients but then made separate phony claims that he e-filed. By prearranged agreement with his clients, Bandzul was paid a specified fee out of the anticipated refunds. In many cases, he caused the inflated refunds to be paid to him without his clients’ knowledge or consent. He also committed tax fraud on his individual federal returns for 2008 and 2009.

He pleaded guilty in September.

New York: Four preparers have been arrested and charged in connection with preparing and filing fraudulent returns from three locations. The charges include multiple felonies, including grand larceny, criminal tax fraud and offering a false instrument for filing.

The preparers – Vincent Wyche, 66, of the Bronx; Edwin Guerrero, 36, and Yuderquis Guerrero, 40, of Lodi, N.J.; and Miguel Carrasco, 29, of Orlando, Fla. – worked for the tax prep firm Mi Gente Multiservice.

The defendants prepared and filed returns on behalf of clients claiming fictitious expenses and inappropriate deductions to tax bills.

Miami: Five defendants have been indicted on charges stemming from participation in a refund and ID theft fraud.

Ronald Jerome Scriven, Danesa Latoya Webb, Walter Waitus Pressley, Fritznel Jacques ("Glacier") and Michael Dwight Brown (a.k.a. "Big Mike") were each charged with one count of conspiracy to defraud the government with respect to claims. Scriven, Webb, Jacques and Brown were also charged with six counts of misusing Social Security numbers and six counts of aggravated ID theft.

According to allegations, Scriven created various tax prep businesses using his name, the names of co-conspirators or the names of individuals' stolen IDs. Scriven and Webb obtained EFINs for submitting false returns, and Scriven, Webb, Pressley and Jacques recruited taxpayers and obtained such personal ID information as their names and Social Security numbers to submit false returns to the IRS.

The indictment also alleges that Scriven, Webb and Jacques prepared and filed false 2008, 2009 and 2010 federal income tax returns that claimed phony refunds on behalf of the taxpayers who were recruited or whose IDs they stole. Fees totaling \$700,000 were deducted from the refunds and deposited into bank accounts that some of the defendants controlled.

Allegations further maintain that Scriven and Webb prepared refund checks or prepaid debit cards in the names of taxpayers whose names and Social Security numbers were used to file the false returns. Some of the co-conspirators accompanied taxpayers, whose identities they used to file false returns, to cash the refund checks. The defendants then demanded "a substantial portion" of the money from those cashed checks. In the instances where individuals' stolen IDs were used to file false returns, Scriven and Webb cashed the refund checks or negotiated them for reduced values.

If convicted, the defendants each face a maximum of 10 years' prison for the conspiracy charge, five years for each count of the misusing an Social Security number and a mandatory two years' imprisonment, consecutive to any other prison term, for the aggravated ID theft charges.

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5. Pensacola News Journal

July 17, 2015

Mail fraud conspiracy lands 4 locals in prison

Four Pensacola residents, including a former IRS tax examiner, have been sentenced to prison for conspiring to file false claims for payment in connection with the 2010 Deepwater Horizon oil spill in the Gulf of Mexico, according to a release from the U.S. Department of Justice.

On June 30, Rosa M. Bonner, 52, and Ariyanna S. Lampley, 33, were sentenced to 27 months and 48 months in prison, respectively. Both pled guilty April 8. On July 16, Jimmie A. McCorvey, 41, and Marcia D. McCorvey, 42, were sentenced to 72 months and 12 months and one day in prison, respectively. Jimmie McCorvey pled guilty April 30, and Marcia McCorvey pled guilty May 7.

During their guilty pleas, the defendants admitted their participation in a conspiracy to commit mail fraud. The conspiracy involved the filing of false claims with the Gulf Coast Claims Facility alleging lost income as a result of the 2010 Deepwater Horizon spill.

Between 2010 and 2012, the defendants agreed to have Jimmie McCorvey file false GCCF claims in their names and other names provided by Lampley, seeking more than \$327,000 in payments for alleged lost earnings and profits as a result of the spill.

Jimmie McCorvey fraudulently used Pensacola addresses to indicate that all claimants lived and worked in Pensacola. As a result of these false claims, GCCF paid \$95,200 to the defendants.

Jimmie McCorvey, who was an IRS employee at the time, also admitted to conspiring with Lampley and others to prepare and file about 25 fraudulent federal income tax returns between 2009 and 2011, resulting in the issuance of more than \$62,000 in tax refund checks. The fraudulently obtained tax refund checks were deposited in bank accounts controlled by Lampley, who paid Jimmie McCorvey a portion of each check.

Jimmie McCorvey also pled guilty to aggravated identity theft for fraudulently using other people's identities in both schemes, according to the release.

This case resulted from investigations by the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation.

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6. The Wall Street Journal

July 19, 2015

First came Switzerland. Now the Internal Revenue Service has a new target: Singapore.

Laura Saunders

Criminal investigators at the IRS are probing whether a Singapore asset management firm accepted transfers from undeclared Swiss accounts closed by U.S. taxpayers, according to lawyers familiar with the matter.

The investigation marks an expansion of the U.S. crackdown on undeclared offshore accounts that began in Switzerland in 2009, the lawyers said. Since then, U.S. officials have pursued banks and individual "enablers," such as lawyers or asset managers, that have helped U.S. taxpayers hide money abroad in Switzerland, Liechtenstein, Israel, India and the Caribbean. Until now, there was little indication they had widened their probe to Southeast Asia or Hong Kong.

"The IRS and Justice Department seem to be turning their focus east, where there are many U.S. taxpayers with accounts—so it could be fertile ground," said Bryan Skarlatos, a lawyer with Kostelanetz & Fink in New York, which has represented nearly 2,000 taxpayers with undeclared offshore accounts.

The lawyers declined to name the firm being probed but said a handful of clients were being questioned about the asset manager.

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7. Tampa Bay Business Journal

July 17, 2015

Riverview woman sentenced for wire, ID fraud

Pam Huff

Ronika Paris was sentenced to three years in federal prison for wire fraud, aggravated identity fraud and making false statements to the U.S. Department of Housing and Urban Development (HUD).

The office of U.S. Attorney A. Lee Bentley III announced the sentencing on Friday morning and said the court entered a \$17,979 money judgment against Paris, a Riverview woman. She pled guilty in April. The judge also ordered her to pay more than \$70,000 in restitution to the Internal Revenue Service.

Court documents said Paris obtained and used stolen ID information of more than 60 individuals to file false tax returns and open pre-paid debit cards, according to the attorney's office statement. She claimed approximately \$446,554 in refunds.

Paris made false statements to HUD and Tampa Housing Authority in February 2013 on her subsidized housing disclosure forms, according to the statement.

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8. Chicago Tribune

July 17, 2015

Former Marine charged with stealing identities of other Marines

A former Marine has been indicted on charges he stole the identities of other Marines and then raided their credit union accounts of more than \$138,000.

The indictment charges that Leonard Parker Jr., 24, of Calumet City, obtained personal information on several Marines from a roster while he was stationed in Okinawa, Japan.

After returning to the U.S., Parker and co-defendant Dontreal Evans, 21, of Lansing, withdrew \$138,798 from the Marines' credit union accounts and deposited the money into the accounts of people the two had recruited into the scheme, authorities said. The two later withdrew money from the accounts, made purchases and kept the proceeds, according to the charges.

Parker also filed false tax returns in the names of three Marines, claiming refunds of about a combined \$7,500, the indictment alleges. He also filed a false tax return in his own name, authorities said.

Parker was charged with five counts of financial institution fraud, one count of aggravated identity theft and four counts of filing false claims against the U.S. Evans was charged with three counts of financial institution fraud.

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9. 19 Action News

July 16, 2015

4 Men Indicted for Defrauding Investors Out of \$7 Million

MANSFIELD, OH (WOIO) -

Four Ohio men were indicted for their roles in a conspiracy to defraud investors out of more than \$7 million by selling unregistered securities and making several misrepresentations to investors about the product they purported to develop, law enforcement officials said.

Named in the 31-count federal indictment are: Kenneth Jackson, 58, of Glenmont; William Schureck, 80, of Lexington; Dennis Deciancio, 72, of Macedonia, and Daryl Dane Donohue, 66, of Mansfield. The counts include conspiracy to commit mail and wire fraud, conspiracy to launder money, mail fraud, wire fraud, money laundering, making false statements, among others.

"These men traveled around the country and deliberately misled investors," said Steven Dettelbach, U.S. attorney for the Northern District of Ohio. "They left financial hardship in their wake. Now they will be held accountable for their actions."

"These four individuals conspired to misrepresent a product to their investors in order to make a profit," said Stephen Anthony, special agent in charge of the Federal Bureau of Investigation's Cleveland office. "The FBI will continue efforts to bring to justice those that have duped investors out of their hard-earned money."

All four men were affiliated with Medical Safety Solutions, a company Jackson founded in 2007, which operated out of Mansfield and had a purported "research and development center" at Jackson's home in Glenmont, according to the indictment.

Jackson held the title of director of research and development at MSS. Schureck co-founded the company and held the title of chief executive officer at MSS. Deciancio also co-founded the company and attended trade shows on the company's behalf. Donohue was a longtime associate of Jackson, who communicated with shareholders of MSS and held himself out as an "FDA consultant" hired by the company for the sole purpose of obtaining Food and Drug Administration approval for the "Sharps Terminator," according to the indictment.

The founders of MSS held the company out as an entity created to develop, market and sell a hypodermic needle destruction device they called the Sharps Terminator. According to the indictment, the Sharps Terminator required premarket approval from the FDA before it could be sold in the U.S.

Jackson and Schureck filed a provisional application for a patent on the Sharps Terminator around April 2007, but did not file an actual patent application until September 2011. MSS filed a premarket approval application for the Sharps Terminator in October 2012, according to the indictment.

Between 2007 and May 2013, the defendants were engaged in the unregistered sale of securities. They did this by seeking individuals to buy private shares of stock in MSS, but according to the indictment, those shares were not registered with the Securities and Exchange Commission.

According to the indictment, they defrauded investors by inducing them to buy stock and making false and fraudulent misrepresentations about MSS and the Sharps Terminator, including: that MSS had submitted a premarket approval application when it had not; that FDA approval of the Sharps Terminator was forthcoming or imminent when MSS had not even initiated the approval process; that the FDA had approved the Sharps Terminator when it had not; that the product was "market ready" when it was not' and other misrepresentations.

To make MSS appear functional and the Sharps Terminator market ready, the defendants took current and prospective investors to MSS' "R&D facility" and showed them parts -- a small number of assembled Sharps Terminator units and large numbers of Sharps Terminator boxes -- many of which were really empty, according to the indictment. MSS investors, between 2007 and 2013, incurred a combined out-of-pocket loss of more than \$7 million. Jackson and Schureck transferred the money to cover other expenses, and Jackson gambled more than \$3.3 million at Mountaineer Casino between 2009 and 2013, according to the indictment.

This case is being prosecuted by Assistant U.S. Attorney Rebecca Lutzko, following an investigation by the Federal Bureau of Investigation and Internal Revenue Service Criminal Investigations.

If convicted, the defendants' sentences will be determined by the court after a review of the federal sentencing guidelines and factors unique to the case, including the defendants' prior criminal records (if any), the defendants' role in the offense, and the characteristics of the violation.

An indictment is only a charge and is not evidence of guilt. A defendant is entitled to a fair trial, in which it will be the government's burden to prove guilt beyond a reasonable doubt.

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10. Milwaukee Journal Sentinel

July 16, 2015

Judge bars indicted Lake Geneva man from taking client cash

By Cary Spivak

Todd Dyer, the Lake Geneva felon facing a new round of fraud charges, cannot take cash from clients of his latest Internet venture, a federal judge ordered Thursday.

"Do not use the Internet for any criminal activity, Mr. Dyer, is what I'm saying," Magistrate Judge Nancy Joseph told Dyer, 51, during his arraignment on more than 30 fraud and related charges contained in two indictments.

Joseph's order came after a federal prosecutor said in court records that Dyer has continued to defraud people even after he knew he was being investigated and ultimately indicted.

"Overall, Dyer has made a career out of defrauding people out of their savings, and he has been undeterred by his prior federal and state convictions," Assistant U.S. Attorney Joseph Wall wrote in a memorandum asking the court to impose a \$500,000 bail.

Since March 2013 — while he was under investigation for the fraud scheme that led to his indictment — Dyer has collected close to \$900,000 from an Illinois family, Wall said. Dyer, who collected thousands from the family as recently as last month, told them he would obtain a \$10 million insurance settlement for the family, Wall wrote in a section of his memo titled "Joan B. Fraud Scheme."

"The story is long, confusing, convoluted and makes little sense," Wall wrote in describing Dyer's dealings with the family.

In an interview after the hearing, Dyer denied wrongdoing, saying he had a consulting contract with the Joan B. family.

Throughout the investigation Dyer has publicly taunted prosecutors and law enforcement agents. In 2013, he was quoted as saying prosecutors should "bring it on." After he was indicted in June, he said that after his trial Wall was "going to look like the biggest moron who ever walked on this Earth."

Asked, following the Thursday hearing, whether he still thought Wall was a moron, Dyer said "Yes I do," quickly adding "I don't mean to be disrespectful." Dyer said he has documents to counter every charge in the indictments.

The Journal Sentinel first reported on Dyer's lengthy record of convictions and regulatory suspensions in 2013 when the paper disclosed that he was under criminal investigation by the Internal Revenue Service and the FBI.

Dyer's record includes a 70-month prison sentence after being convicted in 1999 of running a \$2.2 million Ponzi scheme. In 2004 he was convicted of fraud in Illinois. He is banned from selling securities in Wisconsin, Georgia and Illinois.

Most of the latest charges against Dyer involve what prosecutors say was a scheme to con investors into pouring money into firms created to buy farmland, even though the companies never bought a single acre.

Recently, Dyer — who has gone by the name Allen Todd and now goes by T. Allen Dyer in his business ventures — created a company designed to purchase "structured settlements," Wall wrote. A structured settlement is a court awards and settlements to be paid out over years that investors purchase immediately at a discount.

"He is almost certainly running a new fraud scheme," Wall wrote.

Dyer said after the hearing that his new venture "doesn't handle money. We merely put buyers and sellers together. These guys don't have a clue."

Joseph scheduled a July 27 hearing to decide on the bail question.

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11. Fox Business

July 19, 2015

This Court Ruling Has the Potential to Crush the Marijuana Industry

By Sean Williams

Can anything slow down the marijuana movement?

Over the past 19 years we've gone from exactly zero states having legalized the distribution of marijuana for medical purposes to 23 states and counting that now allow marijuana to be prescribed by physicians to treat various end-of-life ailments (e.g. terminal cancers) and chronic conditions such as glaucoma. Within the past three years we've also seen four states (and Washington D.C.) pass legislation allowing for the legal sale of recreational marijuana.

Marijuana has multiple appeals, depending upon who you ask.

For the consumer, it represents freedom from federal laws, while for the sick it's an opportunity to receive therapy which could improve symptoms. Marijuana is currently being studied in a handful of disease indications ranging from type 2 diabetes to epilepsy.

For individual states, marijuana represents an opportunity to generate revenue through taxation, which could help to fill in budget shortfalls. Education is of particular interest for most states, with Colorado voters, for instance, going to the polls soon to decide whether the \$58 million in collected marijuana tax revenue should be refunded to the states' growers and citizens, or if it'll primarily be put toward funding education.

Marijuana meets its match

But earlier this month we learned that there very well may be something more powerful than the marijuana movement that could halt its growth: the Federal courts.

On July 9, 2015, in the case of *Olive v. Commissioner*, San Francisco's Ninth Circuit Court of Appeals upheld U.S. tax code section 280E which states that expenditures in connection with the illegal sale of drugs don't qualify for any deductions or credits. What this means is that marijuana-based businesses aren't able to deduct ordinary and necessary business expenses, and are thus being taxed on 100% of their gross profit as opposed to net profit.

As Forbes notes, even medical marijuana industries are running into a classic Catch-22. Either they avoid reporting certain gross profits to lower their tax bills and risk being prosecuted for tax evasion, or they report every cent of non-deductible gross profit and risk being prosecuted for selling a drug that's still considered to be illegal by the federal government.

The catch here is simple to understand: even if individual states pass laws legalizing marijuana and try to set up as friendly a business environment as possible for the marijuana industry, federal tax laws will continue to supersede state tax laws. Unless the IRS makes a change to Section 280E, there's veritably no way around paying taxes on gross profits for marijuana businesses -- and that could be devastating news.

Having to pay taxes on gross rather than net profits threatens to seriously eat into the profit margins of marijuana shops, and could threaten their ability to expand or even purchase new product. Seeing other marijuana businesses struggle to hang onto their profits may also deter consumers from applying to open their own shops.

Section 280E could also be a factor that banks use when determining whether or not to make loans to legal marijuana businesses. If marijuana businesses are unable to hang onto a significant portion of their profits because of the U.S. tax code, any loans to the industry could come with a markedly higher lending rate than ordinary businesses would receive.

One possible way around this for legal marijuana shops is to deduct expenses from clearly defined separate businesses. Medical marijuana shops, for example, can deduct expenses if they have separate care-giving businesses. Rent and other expenses may prove deductible, too, if the separate business activities dominate the medical marijuana practice. But without a second business, marijuana shops are exposed to the full brunt of the U.S. tax code.

The obstacles are mounting

Sadly for marijuana proponents, the Court of Appeals' decision to uphold the U.S. tax code represents just one of a series of obstacles to the marijuana industry.

Financing could prove to be just as troublesome for marijuana shops. Most banks and credit unions are unwilling to lend to legal marijuana shops because they have one of two fears. Either they're worried that the federal government could prosecute them for violating the law (i.e., for laundering money, since the marijuana plant is still illegal federally), or they fear that the federal government will, at some point in the future, reinforce its superseding law over the individual state laws. If the federal government did so, it would likely wipe out legal marijuana shops' ability to repay their loans. Also, without a working relationship with banks, some customers are unable to use credit or debit cards to purchase marijuana in legal shops.

Legislation has been proposed in Congress to remove the federal government's ability to prosecute banks for providing banking services to the marijuana industry, but nothing has gained substantial traction.

Another problem is that the marijuana industry (in a commercial/legal sense) is so young that it doesn't quite have a grip on the dynamics of supply and demand yet. In Washington, where marijuana has now been sold legally on a recreational basis for the past year, 13.5 million tons of marijuana flowers were harvested. Unfortunately, only 10 million tons wound up being purchased by consumers. Some of the excess can be used for extract purposes, but a substantial portion of the excess marijuana flowers will go to waste. This excess supply has led to a roughly 70% plunge in marijuana prices on a per-gram basis within the state. As I noted last week, falling marijuana prices are great for the consumer, but for marijuana businesses that are being taxed up the nose it's unwelcome news.

And, of course, there are ongoing political roadblocks -- namely that lawmakers are in no rush to change federal marijuana policies. A vast majority of presidential candidates have taken a wait-and-see approach until clinical benefits data surrounding marijuana research has time to mature. Incidentally, while President Obama has acknowledged the potential importance of marijuana research and is eagerly watching the "experiments" being conducted in four

recreation ·legal states at present, he also encourages the young people of America to focus on more pressing issues other than marijuana. Translation: marijuana is not a priority of the current administration.

Keep your money far, far away

The Circuit Court of Appeals' ruling coupled with a growing number of headwinds simply reconfirms what I've been saying for months now: marijuana appears to be a dangerous and unnecessary investment.

The allure is certainly there. The marijuana industry could be worth \$35 billion, based on estimates from Greenwave Advisors, if the federal government legalized the drug across the board. If this were to happen, marijuana would become the best-selling legal drug in the United States, and it would represent an enormous opportunity for investors.

The problem here is that the timeline for the federal government softening its stance on marijuana is entirely unknown. It could be a year, a decade, or never! Without any concrete evidence to suggest that marijuana businesses have long-term staying power, my suggestion remains to keep your money far, far away from this industry.

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Subject: Criminal Investigation Daily News – March 9, 2017

Criminal Investigation Daily News – March 9, 2017

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FULL TEXT ARTICLES

1. NJ.com

March 09, 2017

Ex-N.J. lawyer sentenced for role in \$40.8 million real estate fraud

By Craig Turpin

CAMDEN · A former New Jersey lawyer was sentenced Wednesday to four years in prison for his role in a scheme that got lenders to issue \$40.8 million worth of mortgages based on fraudulent applications, U.S. Attorney Paul J. Fishman said.

Joseph W. Witkowski, 70, of Flemington, who plead guilty in 2014 to conspiracy to commit wire fraud and conspiracy to commit money laundering, was sentenced in federal court by U.S. District Judge Joseph H. Rodriguez, according to a news release.

Witkowski was ordered to pay \$13.1 million in restitution, and faces three years of supervised release after prison. He also agreed to forfeit over \$2.4 million, representing the proceeds of the fraud, as part of his plea agreement, according to the release.

He was one of 11 people who targeted New Jersey homeowners facing foreclosure, as well as oceanfront condominiums overbuilt by "financially distressed developers" in Wildwood Crest and prime real estate in popular vacations spots in Georgia and South Carolina, it was previously reported.

The group then recruited "straw buyers" · people with good credit scores who lacked the financial resources to qualify for mortgage loans · to purchase those properties.

As part of the scheme, the co-conspirators created documents · including fake W-2 forms income tax returns, investment statements and rental agreements · to make these buyers appear more creditworthy. They also established telephone lines in the name of various companies to falsely verify employment when lenders performed background checks.

Witkowski submitted the applications, which included inflated income and asset information, to mortgage lenders.

After a loan was approved, the group had some of the funds wired, or checks deposited, into accounts they controlled.

The other conspirators who previously plead guilty include Charles Harvath, Stephen F. Corba Jr., John Siuszko, Michael Williams, William Brown, Mark Kreischer, Crystal Brame, Aku I. Muhammad, George Lachenmayr Jr. and Robert Serao.

Fishman credited special agents of the FBI, under Special Agent in Charge Timothy Gallagher, and special agents of IRS Criminal Investigation, under Special Agent in Charge Jonathan D. Larsen, with heading up the investigation.

The government was represented by Assistant U.S. Attorney Diana Carrig. Witkowski was represented by Maggie Moy.

2. WSOCTV.com

March 8, 2017

Tax service accused of fraud

Greg Suskin

CHERAW, S.C. - A tax preparer is under investigation, accused of fraud, after dozens of clients went to the police.

Cheraw police told Channel 9 that there may be close to 100 complaints against Goodwin Tax Service on Market Street in downtown.

More than a dozen police reports were filed in the last month, but police said the complaints go as far back as 2013.

Goodwin Tax Service has been a family-owned business in for decades.

Clients allege that the tax service includes deductions that they were not eligible for, then filed the taxes, but the customers' copies would be missing those documents.

Phillip Leviner had his taxes done with Goodwin because he knows the family well.

"I trust him and, I just ya know, felt betrayed," he said.

Leviner said the IRS told him he owes roughly \$4,500 in back taxes from three years ago. He said Goodwin applied for several deductions he doesn't qualify for at all.

"He had me owning my own businesses in 2013, and showing losses in my businesses and truck repairs, and things of that nature, and I don't own a business," he said.

Leviner was also given a deduction for being a full-time student, which he wasn't.

Another man, who didn't want to be identified, owes \$1,200 in taxes that he didn't know about until after he got his refund check.

"It's terrible because \$1,200 is tough on us. We're all scratching our heads, trying to figure out how he made money off this, and how long it's been going on," he said.

Cheraw Police Chief Keith Thomas said his officers started fielding complaints last fall, then the flood gates opened this year.

"In January, we started receiving an influx of people calling and coming in," he said.

Thomas has met with agents from the state Department of Revenue several times. His office has also forwarded all police reports to the state.

Wednesday afternoon, a spokeswoman for SC-DOR did not confirm or deny that there is an investigation into Goodwin Tax Service.

However, several clients who filed complaints told Channel 9 that they have spoken directly to SC-DOR agents.

People close to the Goodwin family said John Goodwin III took over the business from his father several years ago.

That's when the problems started.

Goodwin, 42, is in jail, serving 30 days for check fraud.

Channel 9 went to the business Wednesday where Goodwin's father was running the office. He did not comment about the allegations against his son.

John Goodwin III has not been charged in the ongoing investigation.

Cheraw police are urging people to come forward and make a report if they believe the same thing happened to them.

Some victims said they should not be responsible for owing any back taxes because they never had the proper forms to look at, and find any errors.

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3. Milwaukee Journal Sentinel

March 8, 2017

Brazen 'bring it on' felon gets 15 years for \$2 million fraud

By Cary Spivak

Todd Dyer once taunted authorities to 'bring it on' and a federal judge did just that Wednesday, sentencing the Lake Geneva con man to 15 years in prison.

U.S. District Court Judge J.P. Stadtmueller handed down the sentence after he quickly rejected Dyer's 11th-hour attempt to withdraw the guilty plea he entered in December. At the time, Dyer agreed to plead guilty to four counts of fraud in two cases for swiping about \$2 million from two dozen investors nationwide and another \$900,000 from an Illinois family. The first scheme involved raising money to purchase farmland that was never bought.

"Mr. Dyer is a walking fraud scheme," assistant U.S. attorney Joseph Wall told Stadtmueller in asking for a sentence of between 14 and 17.5 years — the amount agreed to in the December plea bargain signed by Dyer, 53, and prosecutors.

"The past 10 years were busy for Todd Dyer as he engaged in several schemes that bilked individuals out of approximately \$3 million," fellow prosecutor Benjamin Proctor wrote in a sentencing memorandum filed Tuesday.

In his motion to withdraw his guilty plea filed Tuesday, Dyer accused prosecutors of misconduct and a key witness with perjury.

Stadtmueller told Dyer that the so-called proof he cited to support his claims were a "total figment of your imagination. I'm sorry but that's the way it is." The judge amended the famous Abraham Lincoln quote that ends "you cannot fool all the people all the time" telling Dyer "you're never going to fool Judge J.P. Stadtmueller."

Straight to prison

In an unusual move, Stadtmueller ordered that Dyer be immediately hauled out of the courtroom by U.S. Marshals to begin his sentence. White collar criminals are frequently allowed to turn themselves into prison authorities to begin a sentence.

Throughout the investigation and court proceedings, Dyer's brazenness and taunting of prosecutors and law enforcement agents often surprised courthouse observers and attorneys. He once vowed to make Wall, a veteran prosecutor and former Milwaukee County Circuit Court judge, look like "biggest moron who ever walked on this Earth."

In a 2012 interview with the Journal Sentinel about his past criminal actions and the then ongoing investigation, Dyer challenged federal authorities saying they should "Bring it on. Bring. It. On."

He was more soft-spoken as he was led out of court in handcuffs Wednesday, telling a reporter that "obviously I'm going to appeal."

Farmland scheme

The sentence Wednesday was for a scheme Dyer masterminded in which investors put up money they thought would be used to purchase farmland. Dyer's group never purchased a single acre and Dyer used the money to support a lifestyle that included spending at a strip club and buying pricey cars.

Dyer argued Wednesday that others, including a victim, controlled the companies created to buy farmland. Stadtmueller interrupted Dyer, telling him his claim was "hogwash, pure unadulterated hogwash."

Prosecutors noted that Dyer was not deterred even when he knew the IRS criminal investigation division and the FBI were after him.

On the very day in 2012 that Dyer's home was raided by federal agents who seized computers and records, "Dyer withdrew \$18,395 from his bank account, funds he obtained by defrauding (an Indiana farmer) and used \$13,395 to purchase a 2003 Mercedes Benz from an Arlington Heights, Illinois, car dealership," Proctor wrote in the sentencing memorandum.

While being investigated for the farmland scheme, prosecutors say Dyer stole nearly \$1 million from an Illinois family, telling them his father, a well-known Lake Geneva insurance agent, had stolen the family's life insurance policy and made himself the beneficiary. He has pleaded guilty in that scheme and is scheduled to be sentenced later this month. Prosecutors have agreed to recommend that the sentence in that case be served concurrently with the sentence for the farmland scheme.

Dyer was indicted three times in 2015 and 2016. Charges in the third indictment is expected to be dropped.

Dyer has had run-ins with securities regulators and law enforcement dating back to 1993. He was sentenced to 70 months in federal prison and ordered to pay \$2.4 million restitution for running a Ponzi scheme in 1999. In addition, an Illinois judge ordered him to pay an additional \$389,970 in 2004 when he was convicted of securities fraud in that state.

The restitution has not been paid.

His criminal history was first profiled in a Journal Sentinel story in 2013.

In 2008, then Lake County, Ill. Judge Fred Foreman rejected a call by prosecutors to send Dyer to prison for violating his probation by failing to pay restitution.

"I do not think that this defendant is likely to enter into this type of conduct again," Foreman said at the time.

That same year, Dyer was pitching an investment that resulted in the current federal charges against him, prosecutors say. In a 2013 interview with the Journal Sentinel Phan Doan, a native of Vietnam, said she invested and lost \$75,000 with Dyer, whom she met when he came to her Lake Geneva nail salon for a pedicure.

Last year, Doan, 65, took the stand in federal court to testify against Dyer.

"You stole my money," a tearful Doan repeatedly told Dyer, who attempted to question her in front of the jury.

In a statement read in court by Wall, Doan said that Dyer "is a bad man."

Because of Dyer, Doan wrote, she will "have to work for the rest of my life."

Dyer agreed to plead guilty last year after he initially fought the charges in a trial. After two days of testimony from 11 witnesses, including nine victims, Dyer threw in the towel and pleaded guilty to the four felony fraud counts.

Stadtmueller said Wednesday that during the testimony by victims it became "painfully clear this case had no chance of leading to an acquittal."

A co-defendant, Nicholas Hindman, an Illinois accountant, also pleaded guilty in the case and is scheduled to be sentenced Thursday. However, his attorney on Tuesday asked to withdraw from the case and Hindman is also asking to withdraw his guilty plea.

After he completes his 15-year prison sentence Dyer will remain under supervision for another three years.

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4. Indianapolis Business Journal

March 8, 2017

Former Indianapolis tax preparer sentenced for filing false returns

Susan Orr

A former Indianapolis tax preparer has been sentenced to a year in federal prison after pleading guilty to preparing and filing false tax returns.

In U.S. District Court in Indianapolis Thursday, William Lee Brown, 39, pleaded guilty to two counts of filing and helping to prepare fraudulent tax returns.

U.S. District Judge Sarah Evans Barker also ordered Brown to pay almost \$303,000 in restitution.

Brown also was sentenced to a year of supervised release, with six months of that period to be served on home detention.

According to the U.S. Attorney's Office, which prosecuted the case, Brown filed 65 fraudulent tax returns between 2010 and 2012 while working as a tax preparer for Instant Tax Service, which had multiple offices in central Indiana.

The fraudulent returns included inflated business income or losses, which meant taxpayers received refunds and earned income credits to which they were not entitled, prosecutors say. The Internal Revenue Service suffered more than \$302,000 in losses as a result.

Instant Tax Service has its own history of legal issues.

In March 2012, the U.S. Justice Department went to court seeking to close ITS Financial LLC, which had its headquarters in Dayton, Ohio, and offices in Indianapolis, St. Louis, Kansas City, Chicago and Las Vegas. Franchisee David R. Franklin of Fishers owned and operated 22 Indianapolis franchise offices through his company, Instant Refund Tax Service.

In August 2013, Barker signed a legal order that permanently barred Franklin and his company from doing business.

In March 2016, Franklin pleaded guilty to instructing his employees to prepare more than 2,300 false client tax returns worth \$1.5 million. Franklin has not yet been sentenced—his sentencing hearing is scheduled for May 26.

The federal government ordered ITS Financial to permanently cease operations in Nov. 2013.

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5. Philly.com

March 7, 2017

Back in court, 'Chip' Fattah seeks to overturn his conviction

by Jeremy Roebuck

Dressed in handcuffs and an olive prison jumpsuit, Chaka “Chip” Fattah Jr. returned to Philadelphia on Tuesday to urge a federal appeals court to overturn his 2015 conviction on bank and tax fraud charges.

He told a three-judge panel of the U.S. Court of Appeals for the Third Circuit that a rogue FBI agent’s decision to leak damaging information about him to the press years before his arrest cost him his job, his income, and ultimately the ability to hire an attorney who could have mounted an effective defense.

“This issue caused by the government created a situation where I no longer could do my job,” he said. “I was fired. I was told my services were no longer needed.”

The argument was not new and -- judging by the skeptical questions Chief Judge D. Brooks Smith and Circuit Judges Thomas Hardiman and Cheryl Ann Krause lobbed Fattah’s way -- may not ultimately lead to Fattah’s success.

Still, the hearing -- which came 13 months into Fattah’s five-year stint at a federal prison in eastern Michigan -- presented an unusual tableau.

Rarely do incarcerated felons get the chance to address appellate courts in person. But Fattah -- the outspoken and unrelentingly confident 33-year-old son of incarcerated former congressman Chaka Fattah -- has made clear since the day federal authorities indicted him that he was not a typical defendant.

During his 2015 trial, he acted as his own lawyer and adopted the unusual strategy of focusing as much on public perception outside the courtroom as on the legal maneuvering within. Whether wading gleefully into scrums of reporters during breaks in court or beating his chest over social media, he never passed up an opportunity for publicity -- even of the unflattering variety.

That tactic proved unsuccessful as a jury concluded that Fattah had committed bank fraud, lied on his taxes, and participated in a scheme to fleece taxpayers out of hundreds of thousands of dollars paid to his employer, the for-profit education firm Delaware Valley High School.

It was a more staid Fattah who stood at the courtroom lectern Tuesday, volleying questions from the judges as a federal marshal loomed over his shoulder, clutching handcuffs.

A dubious Smith fired back as Fattah argued that were it not for the FBI agent's leak, the press and his neighbors might never have found out about a February 2012 raid on his Ritz-Carlton condo.

"I suspect that given where your residence was, there are not a lot of search warrants executed there on a regular basis," he said.

Before the hearing began, the appellate judges appeared keen to keep Fattah's showman side on a tight leash. They limited him to five minutes to make his own arguments and appointed an outside lawyer, Ellen C. Brotman, to help support his case.

Justice Department officials had initially denied that they were the source of the leaks. But weeks into Fattah's trial, Richard Haag, the lead FBI agent on the case, made a surprise admission from the witness stand that he had tipped off an Inquirer reporter to the search and shared other information about the case he was building against Fattah.

The resulting news stories, Brotman said Tuesday, cost Fattah his \$12,000-a-month contract with Delaware Valley High and ruined his reputation, making it impossible to find another job. Without income, she said, he could not afford an attorney of his choice.

"There are leaks and then there are leaks," she said. "This was months of sharing of information."

Assistant U.S. Attorney Eric Gibson conceded that Haag's leaks were "regrettable" and "inappropriate," but balked at the idea that they had anything to do with Fattah's diminished financial circumstances.

Fattah – who had no experience as an educator and no college degree – was grossly underqualified for the \$450,000-a-year contract he held from Delaware Valley High and was unlikely to find a similarly lucrative opportunity, Gibson said.

And yet, Gibson stressed, Fattah had taken steps even before the raids to leave Delaware Valley and set up a rival firm to challenge the company for its contracts with the school district.

"There is simply no authority for the remedy that Mr. Fattah is seeking here – the dismissal of the indictment," Gibson said.

The appellate judges did not issue a ruling Tuesday, but the hearing won't be the last time they hear from the Fattah family.

The elder Fattah has signaled his intention to challenge his conviction last year on federal racketeering and bribery charges in a separate case that ended his two-decade congressional career.

He is serving a 10-year sentence at a federal prison in McKean County, Pa. His lawyers have not yet filed their appellate briefs with the Third Circuit.

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6. NJ.com
March 06, 2017

N.J. doctor guilty in bribes for blood kickback case

By Thomas Moriarty

NEWARK -- After less than a day of deliberations, a federal jury Monday convicted a Bergen County physician of violating federal anti-kickback laws by accepting more than \$200,000 in bribes from a Parsippany blood-testing lab over a seven-year period.

Prosecutors said Bernard Greenspan, 79, of Saddle Brook, accepted payments from representatives of Biodiagnostic Laboratory Services in exchange for referring his patients for testing.

Those referrals alone, prosecutors said, generated more than \$3 million in revenue for the company, which has since pleaded guilty and ordered to forfeit its remaining assets following an FBI-led investigation that's seen 31 doctors charged.

The jury ultimately found Greenspan guilty of all 10 counts of his 2016 indictment, which included both conspiracy charges and actual violations of the federal Anti-Kickback Statute and the Travel Act, as well as wire fraud, between March 2006 and April 2013.

Over the course of an 11-day trial, assistant U.S. attorneys Danielle Alfonzo Walsman and Joseph N. Minish presented the jury with witnesses and evidence that inflated "rent" payments paid by BLS to Greenspan, purportedly to station a phlebotomist in his office, were in fact bribes paid to reward him for the patients he referred.

Prosecutors also said Greenspan convinced the lab to pay for his office's holiday parties, and to employ his mistress, who was ultimately fired by the company for smoking marijuana on the job.

When state law changed to prohibit doctors from renting space to private labs, they said, BLS kept Greenspan on under a sham consulting gig.

Among the witnesses called by the prosecution was David Nicoll, who founded BLS with his brother. Both have since pleaded guilty under agreements with the U.S. Attorney's Office.

To date, the investigation has resulted in 43 convictions, including 29 doctors, according to prosecutors, who said it's believed to be the largest number of medical professionals ever prosecuted in a bribery case.

NorthJersey.com reported Nicoll testified to having targeted Greenspan when he started the kickback scheme, having known the doctor from his own days as a pharmaceutical sales rep.

On the witness stand, the report said, attorney Damian Conforti -- who represented Greenspan along with Eric Kanefsky -- attempted to get Nicoll to concede that in Greenspan's case, the contracts between the doctor and the lab were within the bounds of the law.

Throughout the trial, the defense attempted to paint Greenspan as the exception among those charged in the scheme.

In opening statements, Conforti had argued that while BLS was engaged in criminal activities with some doctors, Greenspan was simply taking advantage of a valuable service the lab could provide for his patients by having an on-site phlebotomist -- an arrangement his lawyer approved.

The later consulting arrangement, the defense argued, wasn't simply a no-show gig, but work Greenspan actually performed for BLS.

Greenspan's attorneys did not immediately respond to a request for comment Monday evening.

In a prepared statement, U.S. Attorney Paul Fishman said Greenspan had abused his position and broken a wide range of federal laws.

"We rightfully expect doctors to make their medical decisions based solely on what's in the best interest of a patient," Fishman said.

"Whether they are dealing with a routine procedure or grappling with a potentially serious condition, patients should never have to worry that a doctor has violated that trust for personal greed."

The wire fraud charges Greenspan was convicted of each carry a maximum potential sentence of 20 years in prison, while the conspiracy, Anti-Kickback and Federal Travel Act violations each carry up to five years in prison.

Each count carries a maximum fine of \$250,000, or twice the gain or loss from the crime, according to the U.S. Attorney's Office.

Greenspan's sentencing has been scheduled for June 20.

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7. Las Vegas Sun

March 9, 2017

IRS strikes back as agents make big dent in identity theft

Associated Press

WASHINGTON — The IRS strikes back: The tax agency reports that the number of identity theft victims plummeted last year after agents struggled for years to combat what has become a multibillion-dollar industry.

The number of victims dropped by 46 percent, to 376,000, the IRS said. These taxpayers had their identities stolen by criminals who used their Social Security numbers and birthdates to obtain fraudulent tax refunds.

The IRS stopped nearly 1 million fraudulent refunds from being issued last year. They totaled almost \$6.6 billion, the agency said.

"It's a much more challenging time for the cybercrooks," said Mark Ciaramitaro, vice president for retail tax products and services at H&R Block. "All of the easy paths have been closed."

Identity theft exploded from 2010 to 2012, and "for a time overwhelmed law enforcement and the IRS," said John Dalrymple, deputy IRS commissioner for services and enforcement.

At the IRS, it peaked in 2014, when the agency identified more than 766,000 victims. That same year, the IRS blocked 1.8 million in fraudulent refunds from being issued. They totaled \$10.8 billion.

"We've driven a lot of the fraud out of the system," Dalrymple said.

The IRS is a popular target for sophisticated identity thieves because the agency issues more than \$300 billion in tax refunds each year.

Several years ago, it was as simple as using another person's Social Security number and birthdate to fill out a fake tax return claiming a big refund. If thieves filed the return early in the tax filing season — before the legitimate taxpayer — they could get refunds before the IRS received verifying financial information from employers, banks and brokers.

To make it easier, thieves can get fraudulent refunds on prepaid debit cards that are not linked to bank accounts.

"I think everybody got caught by surprise by how inventive the criminals were here," Dalrymple said. "I don't think it was just the IRS. I think in general, the whole idea of identity theft caught everybody by surprise."

Criminals can steal victims' personal information from hospitals, doctor's offices, universities, prisons — any entity that collects Social Security numbers and birthdates.

In 2015, federal authorities broke up a massive identity theft ring in Alabama and Georgia that netted \$10 million in fraudulent refunds. Among the victims: Soldiers injured in Afghanistan who were being treated at Fort Benning's hospital.

Last year, authorities broke up a ring in the District of Columbia that tried to obtain more than \$20 million in fraudulent tax refunds. Among the victims: people in assisted living facilities, drug addicts and prison inmates.

In recent years, the IRS has beefed up its computer filters to identify potential fake tax returns. If there are dramatic differences in a taxpayer's return from year to year, it might get flagged for additional review.

Two years ago, the IRS also teamed up with major tax preparers and state tax agencies to share information and improve security.

Identity theft is "the No. 1 issue that the IRS talks to us about," said Brian Ashcraft, director of tax compliance at Liberty Tax. "It's been a huge focus."

Online tax preparers are working to better confirm the identity of their customers through stronger passwords and by using more than one way to verify them, said Julie Miller of Intuit Inc., which owns Turbo Tax. For example, after online customers enter a password, they might receive a text from the company with an additional code to enter.

Congress has also given the IRS more tools to prevent criminals from getting fraudulent tax refunds.

This year, employers are required to report wage information to the IRS by Jan. 31. In the past, most employers had until the end of March to report wage information, often long after refunds had been issued.

Also, the IRS is now required to hold refunds until Feb. 15 for families claiming the earned income tax credit or the additional child tax credit. These credits are available in the form of payments to people who don't make enough money to owe any federal income taxes, which makes them attractive to identity thieves.

The provision, however, delays tax refunds for millions of low-income families.

Tax preparers and the IRS said identity theft is still a major threat as criminals become more sophisticated. To combat it, they regularly share information about new threats and scams, especially during tax season.

"This is not a time to celebrate," said Ciaramitaro of H&R Block. "It's not fixed but I think that cooperation has led to measurable improvement."

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Wassenaar Russell D

From: Onorato Corina R
Sent: Tuesday, August 18, 2015 10:12 AM
To: Koskinen John A
Subject: FW: POLITICO's Morning Tax: IRS: Oops, breach hit way more people than we thought — Tax Analysts' Jeremy Scott: Extenders routine not corruption, just gimmickry — Divine inspiration

Good morning!

From: Morning Tax [mailto:morningtax@politico.com]
Sent: Tuesday, August 18, 2015 10:01 AM
To: Onorato Corina R
Subject: POLITICO's Morning Tax: IRS: Oops, breach hit way more people than we thought — Tax Analysts' Jeremy Scott: Extenders routine not corruption, just gimmickry — Divine inspiration

By Katy O'Donnell

With assistance from Toby Eckert

IRS: OOPS, BREACH HIT WAY MORE PEOPLE THAN WE THOUGHT. The IRS disclosed Monday that it is reaching out to nearly 400,000 more taxpayers about the security of their sensitive information over the "Get Transcript" breach the agency first discovered in May. The agency said earlier this summer that people used taxpayer information culled from third-party sources to get access to over 100,000 taxpayer accounts through the IRS's "Get Transcript" application. A review of the breach led the IRS to discover fraudsters infiltrated 220,000 additional accounts and were blocked from accessing 170,000 others.

The IRS has emphasized that the original identifying information needed to get into Get Transcript was stolen elsewhere, but it is thought that criminals used the application to get information from old tax returns to file fraudulent ones going forward. That could mean an even tougher 2016 filing season for hundreds of thousands of people next year. The IRS is providing the afflicted taxpayers with free credit monitoring.

- LAWMAKERS PLEDGE HELP AND OVERSIGHT. Rep. Peter Roskam (R-Ill.), the chairman of the Ways and Means Oversight Subcommittee, called the news "deeply troubling" in an emailed statement Monday. "Taxpayers deserve to know that the IRS is taking every possible step to safeguard their personal information. Today's revelation that the IRS didn't fully understand this security breach for months is not confidence-inspiring," Roskam said. "The Oversight Subcommittee will continue to work to get to the bottom of this breach and work with the IRS to improve cybersecurity systems guarding taxpayers' personal data."

Senate Finance Committee ranking member Ron Wyden (D-Ore.) was less critical but still made clear he was keeping an eye on the tax agency: "I spoke with the IRS commissioner today and our team is being briefed on developments. We need to do a better job of protecting taxpayers and I welcome swift action from the IRS to address this situation now and against future cyberthreats."

Wyden and Finance Chairman Orrin Hatch have been exploring potential private-sector solutions to the IRS's security woes since April, and the IRS held a public-private security summit this year to try to get a handle on the problem.

WALKER'S O-CARE PLAN INCLUDES SLIDING-SCALE TAX CREDITS. GOP presidential candidate Scott Walker will unveil an Obamacare replacement plan today that would shift authority to the states and give uninsured consumers access to sliding-scale tax credits, Pro Health's Jennifer Haberkorn and Kyle Cheney report. Walker says he would use age, not income, to calculate the sliding-scale credits, a system he says would eliminate any need for IRS oversight. Read more: <http://politi.co/1WBxu4Z>

TAX ANALYSTS' JEREMY SCOTT: EXTENDERS ROUTINE NOT CORRUPTION, JUST GIMMICKRY. Tax Analysts' Jeremy Scott takes on Harvard Professor (and potential Democratic presidential candidate) Lawrence Lessig's argument that Congress can't get anything done because of campaign finance - at least when that argument is applied to Congress' apparent inability to pass tax extenders in anything other than an ad hoc, slapdash fashion. "Lessig argues that politicians basically sell year-to-year extensions of tax policy to donors," Scott writes. "Basically, Lessig is saying that each year Congress pretends it might not renew extenders in order to build support, and he believes support is just a euphemism for cash." Not so, says Scott.

Even if Lessig's theory applies to other matters, "a quick perusal of the history of extenders reveals that budgetary gimmicks and deficits are more responsible for the yearly extenders dance than institutional corruption," Scott writes. "Whenever permanent extensions are proposed, it isn't lobbyists and campaign finance directors who are outraged or railing against it - it's deficit hawks and some Democrats. ... It's the parties' concerns over seeming weak on the deficit, not their desire to sell the same tax favors over and over again, that likely explains why extenders are an annual problem that never seems to go away." Read more: <http://bit.ly/1fl1pN5>

HAPPY TUESDAY! Today marks 788 years since Genghis Khan died, 220 years since George Washington signed the Jay Treaty with Britain, 95 years since the 19th Amendment was ratified, 57 years since Vladimir Nabokov's "Lolita" was published and 11 years since Donald Trump unveiled his board game, "TRUMP: The Game." See a pattern? Send theories and tax tips to kodonnell@politico.com, bfaler@politico.com and teckert@politico.com. You can find us on Twitter at @[katyodonnell](https://twitter.com/katyodonnell), @[tobyteckert](https://twitter.com/tobyteckert) and @[brian_faler](https://twitter.com/brian_faler). And as always, please follow @[POLITICOPro](https://twitter.com/POLITICOPro) and @[Morning_Tax](https://twitter.com/Morning_Tax).

DIVINE INSPIRATION: Comedian John Oliver is establishing his own church, "Our Lady of Perpetual Exemption," and daring the IRS to deny it tax-exempt status. There's a serious point behind the stunt, he insisted on his HBO show "Last Week Tonight." "The IRS regulations are close to meaningless," he told viewers, after skewering money-grubbing televangelists who routinely fleece their flocks. Oliver said he filed paperwork with the IRS "to test the legal and financial limits of what religious entities are able to do." He added, "It was disturbingly easy." <http://bit.ly/1PgPLPE>

STATE ROUNDUP -

TAX ME, PLEASE! It's not often that a business advocates for a higher tax on some of its most loyal customers. But that's exactly what a convenience store trade group is doing in Missouri. The state's Petroleum Marketers and Convenience Store Association is pushing a ballot initiative that would raise Missouri's lowest-in-the-nation cigarette tax to 40 cents a pack from 17 cents, the St. Louis Post-Dispatch reports. The group is circulating petitions for two versions of the initiative - one that would spend the roughly \$800 million in proceeds on transportation; the other would send the money to the state's general revenue fund. It's not exactly clear why the group, which has opposed three other cigarette tax hikes rejected by voters, would favor the tax increase. But the petroleum marketers have expressed concern about Missouri's transportation funding problem. And other proposals would make the cigarette tax even higher, ranging from a 50-cent boost to a 73-cent hike. <http://bit.ly/1HTbw2s>

A SPOONFUL OF SUGAR: Illinois Gov. Bruce Rauner has a tax plan that he hopes will attract Democrats who control the Legislature: freeze local property taxes for two years and in return you'll get \$74 million for

financially struggling school districts, notably Chicago's. "The state would contribute \$200 million a year for two years toward pension and health care costs at [Chicago Public Schools] without a reduction in the district's \$600 million state grant funding," Reuters reports. There's a catch, however: The legislation would allow local officials to curb collective bargaining, weaken prevailing wage requirements and restrict workers' compensation claims. Most Illinois Democrats would probably consider either one of those things a poison pill.

<http://reut.rs/1UPjMJX>

GRAD STUDENTS LOSE HEALTH SUBSIDIES IN MO.: The University of Missouri is getting rid of subsidies that help cover health insurance for graduate students who teach at the school, pointing to an IRS interpretation of the Affordable Care Act as the culprit. The law 'prohibits businesses from providing employee subsidies specifically for the purpose of purchasing health insurance from individual market plans,' school officials said in a letter to students, according to an AP story. Because the university's student health insurance plan is covered by Aetna, the school fears it would be fined for subsidizing an individual market plan.

After getting negative feedback, the school's chancellor wrote of a short-term solution: "In Fiscal Year 2015, the university spent \$3,938,793.28 in subsidizing the health insurance costs of over 3,000 graduate students. I have directed that this same amount be provided to eligible students based on a formula developed by the Office of Graduate Studies and that the entire amount be made available as soon as possible. This, I understand, is only a short-term 'fix.'" Read the chancellor's announcement here: <http://bit.ly/1EyKAVB> and the AP's story here: <http://bit.ly/1EyKOfc>

QUICK LINKS:

- National Taxpayers Union VP: "Tax reform must start somewhere": <http://bit.ly/1E1q4lv>
- More on Etsy's Irish tax strategy: <http://on.wsj.com/1K2FIUg>
- ICMYI: The Guardian's "Inside the world's greatest tax havens, in pictures": <http://bit.ly/1THi6VI>
- IRS: No such thing as a free lunch (not even in Silicon Valley): <http://bit.ly/1hjfhJB>
- DOJ recants leak claim in trial of former Ways and Means member Aaron Schock: <http://politico.pro/1DYXnpq>

DID YOU KNOW? Vladimir Nabokov hated sleep: "Sleep is the most moronic fraternity in the world, with the heaviest dues and the crudest rituals. It is a mental torture I find debasing," he wrote in "Speak, Memory." Sometimes he had to sleep, he conceded, "but I simply cannot get used to the nightly betrayal of reason, humanity, genius." Can't say we relate.

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From: *IRS Media Relations
Sent: Wednesday, October 05, 2016 10:21 AM
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In the News

October 5, 2016

NATIONAL MEDIA RELATIONS BRANCH 202-317-4000 IRS.Media.Relations@irs.gov

1. Disaster Relief: IRS Extends Tax Deadlines in Florida Counties Hit by Hermine * BNA Daily Tax Report
2. Health Care: IRS ACA Compliance Checks Give Nonprofit Hospitals 'Nudge' * BNA DailyTax Report
3. IRS Expanding Digital Authentication Tool to Landline Phones * Tax Notes Today
4. Indian Police Detain Workers Over Possible IRS Phone Scam * Wall Street Journal.com
5. Ending Deferral Would Raise \$718 Billion in U.S. Tax Revenue, Report Says * Tax Notes Today
6. Profit Shifting: Report: \$718 Billion in Taxes Lost in 2015 to Offshore Profits * BNA Daily Tax Report
7. IRS Moves to End Leveraged Partnerships and Bottom Guarantees * Tax Notes Today
8. Tax Evasion: Chiropractor Owes \$404 Million in Deficiencies, Penalties * BNA Daily Tax Report

BNA Daily Tax Report

October 5, 2016

Disaster Relief: IRS Extends Tax Deadlines in Florida Counties Hit by Hermine

Some tax filing and payment deadlines are extended to Jan. 17, 2017, for businesses and individuals in eight Florida counties affected by Hurricane Hermine, the IRS said.

Citrus, Dixie, Hernando, Hillsborough, Leon, Levy, Pasco and Pinellas counties have been declared disaster areas, which qualifies residents and businesses for relief under Treasury Regulations Section 301.7508A-1(d)(2), the Internal Revenue Service said in a Sept. 29 news release (FL-2016-19).

The disaster declaration means that certain deadlines falling on or after Aug. 31, 2016, and on or before Jan. 17, 2017, can be postponed until Jan. 17. The postponement includes deadlines for:

- individual returns on extension due Oct. 17,
- quarterly estimated tax payments due Sept. 15,
- 2015 corporate and partnership returns on extension through Sept. 15, and
- quarterly payroll and excise tax returns.

In addition, the IRS is waiving failure-to-deposit penalties for employment and excise tax deposits due on or after Aug. 31, provided they were made by Sept. 15.

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BNA Daily Tax Report

October 5, 2016

Health Care: IRS ACA Compliance Checks Give Nonprofit Hospitals 'Nudge'

By Colleen Murphy

The Internal Revenue Service's continued spotlight on Affordable Care Act compliance is a good wake-up call for tax-exempt hospitals.

The agency completed 692 reviews of hospitals and nearly a quarter of those—166—were referred for field examination in fiscal year 2016. The scrutiny specifically related to the tax code Section 501(r) requirements imposed in the ACA, according to a Tax Exempt and Government Entities Division work plan released Sept. 29. The IRS is likely to keep up the focus for the next several years, and hospitals should check their own compliance now that the regulations are in full force, several attorneys with experience in nonprofit health care told Bloomberg BNA.

"We've entered into the enforcement phase now," said Donald B. Stuart, a partner at Waller Lansden Dortch & Davis LLP. "We've just moved into this new phase and new stage of 501(r), which is going to be a little bit of a wake-up call for a lot of people."

Hospitals were flagged for a field exam if they lacked a community health needs assessment, financial assistance and/or emergency medical care policy or necessary billing and collection requirements—several of the provisions hospitals must meet to comply with Section 501(r). The IRS will continue to review tax-exempt hospitals' 501(r) compliance going forward, according to the work plan (190 DTR G-2, 9/30/16).

"I think the IRS efforts here will give a nudge to some like 'Uh oh, we could get that knock on the door, it could be us being audited next time around, and let's go back and look,'" said Linda S. Moroney, a partner at Drinker Biddle & Reath LLP. "The IRS has acknowledged again and again 'Look, we don't have the resources to audit every organization out there,' so they appropriately publicize what it is they're doing with the hope it gets the maximum bang for the buck."

New Phase.

The IRS released final regulations (T.D. 9708) on community health needs assessments and financial assistance requirements on Dec. 29, 2014, solidifying two sets of proposed rules on the ACA requirements. The final regulations became effective for tax years beginning on or after Dec. 29, 2015, meaning calendar-year-end hospitals had to be in compliance on Jan. 1, 2016, and tax-exempt hospitals with a different fiscal year end had to be in compliance by Oct. 1 (249 DTR G-5, 12/30/14).

Because failing to comply could cost an organization its tax-exempt status, the requirements go to "the heart of the hospital," said Stuart, who has trained IRS auditors conducting 501(r) reviews. And

while some organizations may have hoped the rules would be repealed, "if anything, it looks like they're going to be here for awhile," he said.

An audit could mean the IRS puts its microscope on other areas, like unrelated business income or excess benefit transactions—a reality hospitals must accept, he said.

Hospitals should also know they can make corrections for mistakes, which will put them "in a better light," with the IRS, Stuart said. Certain failures won't be considered to violate 501(r) if the hospital properly corrects and discloses them, the IRS said in Revenue Procedure 2015-21, which builds on Notice 2014-3.

'Still Learning.'

Being referred for an exam doesn't necessarily suggest noncompliance, but rather shows the IRS reviewer needed additional information from the organization, Exempt Organizations Director Tamera Ripperda said during a Sept. 29 press call.

Hospitals are also likely "still learning" the ins and outs of what it means to comply with the regulations, Sunita B. Lough, the Tax Exempt and Government Entities Division commissioner, said on the call.

"It sometimes takes awhile for folks to really get in the groove and learn what it means and start following," she said.

'Matter of Fairness.'

While some attorneys said the numbers of reviews and referrals seemed high, the agency's focus is in line with ACA requirements and is something Sen. Charles E. Grassley (R-Iowa) has specifically championed.

The IRS must review, at least once every three years, the community benefit activities of about 3,000 tax-exempt hospitals, according to the ACA. The agency reviews one-third of the population annually so the entire population is reviewed over a three-year period. As of June 27, the IRS had completed 2,482 compliance reviews for the three-year period including 2014, 2015 and 2016, according to a letter IRS Commissioner John Koskinen sent that day to Grassley.

In a review, the agency analyzes information returns, hospital websites and "other information designed to identify the hospitals with the highest likelihood of non-compliance," Koskinen said in the letter. The agency would home in on Schedule H of the Form 990, Return of Organization Exempt from Income Tax, which requires hospitals to answer myriad questions about their financial assistance policies and community health needs assessment, attorneys said.

Hospitals must earn their tax-exempt status, and the IRS is right to make sure they "hold up their end of the deal," Grassley said in an Oct. 4 statement to Bloomberg BNA.

"It's a matter of fairness to the many individuals and businesses that pay taxes. There have been some serious abuses at tax-exempt hospitals, such as aggressively suing low-income taxpayers instead of helping them with health care. The IRS needs to pay attention to problems that are contrary to the spirit and letter of the law," Grassley said.

Possible Pitfalls.

The different elements of Section 501(r) all pose challenges for hospitals, the attorneys said.

The detail of the regulations and their prescriptive nature could mean "risk of foot faults on the part of many organizations," though they have had several years to prepare, said Douglas Mancino, a partner at Seyfarth Shaw LLP.

"The threshold for levels of permitted noncompliance is really, really low in the eyes of the IRS, according to what they've published," Mancino said.

Mancino has one client, a large health system, under an audit where 501(r) was raised as an audit term, though it was for a year prior to when the regulations were finalized, making it more of a "check list item" than a substantive review.

And even when the guidance seems straightforward, like with the community health needs assessment requirements, it is still labor-intensive, Stuart said. Hospitals must develop an implementation strategy and consistently document their actions, he said. A hospital could face a \$50,000 tax for failing to meet the community health needs requirement, according to Section 4959.

Complying with the requirements is also a "public relations exercise," which puts pressure on hospitals, Stuart said. Hospitals must make their community health needs assessment reports and financial assistance policies widely available online, according to the rules. Thus, watchdog groups, lawmakers, community members and unions will be watching to see how organizations comply, he said.

"They really need to understand that, because a lot of people are looking for this now," Stuart said. "It's not just the IRS" that may come knocking on the door.

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Tax Notes Today

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IRS EXPANDING DIGITAL AUTHENTICATION TOOL TO LANDLINE PHONES

By Luca Gattoni-Celli

The IRS is working to eventually include landline phone users in its secure access identity proofing and multifactor authentication process by allowing them to request "voice text" verification codes, the agency said in an FAQ document (Doc 2016-20092) emailed to e-services users on September 30.

Other new details about secure access emerged from the guide (Doc 2016-20092) for tax professionals using the IRS's e-services portal, most of whom must complete the process starting October 24, a requirement the IRS announced on September 22. (Prior coverage (Doc 2016-19176).)

For example, the IRS said that e-services users, at least, "will recertify every two years."

The IRS currently requires taxpayers completing secure access to have a text message-enabled mobile phone to receive an initial activation code as well as verification codes each time they log in. Those with mobile phone plans not meeting initial IRS criteria can request a mailed letter containing an activation code to confirm their phone number. (Prior coverage (Doc 2016-17004).)

Based on how other online services use phone calls for authentication, it appears that the IRS would call a taxpayer's landline phone and use an automated voice to dictate the text of a verification code to allow him to log in to secure access.

Secure access debuted in June with the relaunch of the Get Transcript Online tax record retrieval tool, later incorporating a revived identity protection personal identification number online retrieval tool. It is expected to eventually undergird full-featured online accounts at the heart of the IRS's future state vision for moving most taxpayer service functions online. (Prior coverage (Doc 2016-17177).)

As early as April, IRS Commissioner John Koskinen discussed his agency's desire to maximize its new authentication process's accessibility while keeping it secure. (Prior coverage (Doc 2016-7880).)

However, the FAQ cautioned that the "new landline feature may be several months away."

Success Rates

One FAQ item combines two key questions: "What is the success rate for Get Transcript? What is [the] estimated success rate for e-services?" However, the IRS does not provide any figures, saying only, "We have put in place some extraordinary steps to help ensure that e-services users are authenticated by web, by phone or in person."

Those steps include extra help desk staff starting October 24 and allowing users to present identification in-person at taxpayer assistance centers if they are unable to complete identity proofing by phone, the IRS said.

National Taxpayer Advocate Nina Olson told Tax Analysts during a September 26 interview that the most recent data she had on user access rates was a 27 percent figure for all taxpayers attempting the process, which she said she had seen about a month earlier in an IRS email. However, Olson added that she expects tax professionals will do better than the general population.

IRS Advises Early Action

The IRS in the FAQ reiterated that e-services users should try to complete secure access before the deadline by setting up a Get Transcript Online account for themselves, saying that those who do so will need to change only their e-services password on October 24.

A taxpayer's current e-services username will become the default username for all IRS.gov tools using secure access, including Get Transcript authentication. Each username will have just one email address associated with it, the agency said.

The IRS also advised reporting agents facing an October 31 deadline as well as return transmitters and software developers facing imminent testing periods to work proactively. Electronic return originators should update their electronic filing application now, and reporting agents using e-services to e-file employment Forms 94x, "Online Signature PIN (IRS Authorized Signer)," should do so before October 24, the IRS said.

The IRS FAQ explains that individual taxpayers, not their employers, would have to complete secure access based on information such as the name and filing status listed on their most recently filed tax return.

The IRS can independently verify only mobile phone numbers registered in an individual's name, but the agency noted that users can request a mailed activation code to use a business mobile phone number for secure access.

The FAQ raises questions about navigating rules against using mobile phones at work or agency rules against receiving text messages on work phones -- or even enabling that capability -- for security reasons. The IRS answered: "One reason for providing advance notice is so agencies and organizations could identify potential policy issues and make adjustments if necessary."

The IRS gave the same response to questions from e-services users who access the transcript delivery service daily, indicating that those users should act well before October 24 if they will need to wait the five to 10 days for a mailed activation code to complete secure access.

The guide was linked to in an IRS email newsletter as well as on an IRS webpage (<http://goo.gl/cMGO78>) for e-services users.

In its weekly email newsletter, the National Association of Enrolled Agents (NAEA) reported September 30 that it asked the IRS about its members outside of the United States. The IRS responded that e-services users must have a U.S.-based mobile phone for now but, "We are exploring alternatives for foreign-based practitioners," the IRS replied, according to the NAEA.

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October 5, 2016

Indian Police Detain Workers Over Possible IRS Phone Scam

Police say workers would dial people in the U.S. and threaten them with jail time if they didn't pay up

By Shefali Anand

THANE, India—Indian police on Wednesday arrested 70 people they said were part of call-center operations in a Mumbai suburb whose employees posed as U.S. Internal Revenue Service officials and tried to trick Americans into sending them money.

More than 700 people were manning the phones in three multistory buildings when police burst in on Tuesday night, authorities said. Police said workers would dial people in the U.S. and threaten them with jail time if they didn't pay up.

"You can call it a scam center," said Parag Manere, a deputy commissioner of police in Thane.

Police said they arrested those suspected of playing leading roles in the alleged fraudulent activities. They were being held on suspicion of cheating by impersonation and extortion. The role of hundreds of others present was still being investigated, police said.

The people arrested were in custody on Wednesday evening and couldn't be reached for comment. It was unclear if they were represented by lawyers.

India has long been a home for call-center businesses that are part of its larger outsourcing industry, which employs millions and includes some of the nation's most prominent corporate names. Operators at outsourcers help callers with everything from banking to setting up computers.

Mr. Manere said the Thane centers involved in the case had been set up expressly for fraud. In some cases, they would ask people to buy gift cards for iTunes or other retailers as a way of transferring funds. In others, money was deposited in bank accounts, police said.

In June, India's National Association of Software and Services Companies said it was setting up a task force to detect and prevent fraud at outsourcing firms, but declined to say what had prompted the move.

Param Bir Singh, Thane's commissioner of police, said there could be more small call centers engaged in questionable activities in the suburb. "It could be bigger than this," he said.

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Tax Notes Today

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ENDING DEFERRAL WOULD RAISE \$ 718 BILLION IN U.S. TAX REVENUE, REPORT SAYS

By Ryan Finley

A deemed repatriation of Fortune 500 companies' foreign earnings would yield an estimated \$ 718 billion in U.S. tax revenue at the standard corporate rate, a report by public interest and tax justice advocacy groups says.

According to an October 4 report prepared by the U.S. Public Interest Research Group, Citizens for Tax Justice, and the Institute on Taxation and Economic Policy, the estimated 6.2 percent tax rate on Fortune 500 companies' foreign earnings implies that most of their \$ 2.5 trillion in offshore foreign earnings is reported by subsidiaries located in tax havens. The top 30 companies, listed by offshore holdings, account for two-thirds of the total, with Apple (\$ 215 billion), Pfizer (\$ 194 billion), and Microsoft (\$ 124 billion) topping the list.

"Corporate tax dodging may be legal, but it's certainly not good for everyday taxpayers and responsible small businesses," said Michelle Surka of the U.S. Public Interest Research Group in a press release. "We're beginning to see a growing international interest in cracking down on corporate tax dodging, and with \$ 717.8 billion on the line, it's time for the U.S. to start doing the same."

The report estimates the foreign tax rate and additional U.S. tax (net of any foreign tax credits) by extrapolating data from the 58 Fortune 500 companies that report estimates of the additional tax they would owe upon repatriation. Because the aggregate additional tax due from those companies amounts to 28.8 percent of the repatriated income, the 6.2 percent difference between that rate and the 35 percent U.S. statutory rate represents the foreign tax rate. The report applies the 28.8 percent rate to the total offshore earnings of \$ 2.5 trillion, resulting in an estimate of \$ 718 billion.

Asked whether the report paints a fair picture of Apple in light of its reported effective tax rate of 26 percent, Richard Phillips of Citizens for Tax Justice, one of the report's coauthors, told Tax Analysts that the company's 18.3 percent rate for cash taxes paid for the 2009-2015 period is the more reliable figure. "In addition, I'd point out that the main issue we've taken with Apple is not that they're not paying tax on some of their income, it's the fact that a substantial amount of their income is going almost entirely untaxed," he added.

The report also objects to the total number of tax haven subsidiaries held by U.S. multinationals, estimating that the total may be as high as 55,000 for the Fortune 500. Although many offshore subsidiaries do not show up in companies' SEC filings, at least 367 of the Fortune 500 companies maintain subsidiaries in tax havens and the top 20 account for 4,373 of those entities, the report says. Subsidiaries of U.S. multinationals reported profits of more than 100 percent of national GDP for five tax havens, including 1,313 percent for the Cayman Islands and 1,884 percent for Bermuda.

The best way to address aggressive tax planning is to simply end deferral, according to the report. In the absence of complete elimination of deferral, the report recommends adopting tighter anti-inversion rules, eliminating the check-the-box election, and preventing aggressive tax planning through intellectual property transfers. It also supports the Obama administration's proposal to treat as subpart F income excess profits earned by a controlled foreign corporation from U.S.-developed intangibles. Under the proposal, all excess income taxed at 10 percent or less would be included in subpart F and would phase out from 10 to 15 percent.

"In calling for an end to deferral, it's not unfair to say that we do think that U.S. companies' IP income should be taxed immediately no matter where it is," Phillips said. "Short of ending deferral, we are supporting proposals like the one in President Obama's budget."

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BNA Daily Tax Report

October 5, 2016

Profit Shifting: Report: \$718 Billion in Taxes Lost in 2015 to Offshore Profits

By Allyson Versprille

Nearly three-quarters of Fortune 500 companies maintained subsidiaries in offshore tax havens in 2015, collectively reporting \$2.5 trillion in offshore profits worth \$717.8 billion in federal tax revenue, according to a new report.

The report was released Oct. 4 as Congress, the Obama administration and presidential candidates debate how to stem tax base erosion and profit shifting in the U.S.

The company that made the most in offshore profits in 2015 was Apple Inc. with \$214.9 billion in earnings, according to "Offshore Shell Games," by the U.S. PIRG Education Fund, Citizens for Tax Justice, and the Institute on Taxation and Economic Policy. The company would owe \$65.4 billion in U.S. taxes if these profits weren't held offshore, the report said.

Other big names in the study include Pfizer Inc., PepsiCo Inc., Goldman Sachs Group Inc. and Nike Inc.

"Corporate tax dodging may be legal, but it's certainly not good for everyday taxpayers and responsible small businesses," Michelle Surka, an advocate with U.S. PIRG, said in a news release accompanying the report. When companies shift profits overseas, small businesses that don't have access to "scores of lawyers" are disadvantaged, and in the end U.S. taxpayers are hurt, she said.

The study utilizes a list of 50 jurisdictions that appear on at least one roster of tax havens compiled by the Organization for Economic Cooperation and Development, the National Bureau of Economic Research, the Government Accountability Office or as part of a U.S. District Court order listing tax havens.

Kyle Pomerleau, the director of federal projects at the Tax Foundation, said the report doesn't "make a very strong case" that anything untoward is happening.

Missing Info.

In an Oct. 4 interview, he said there is important information missing from the report.

The study seems to take a list of "politically accepted" tax havens and then look at which U.S. companies have subsidiaries in those countries, and how many, Pomerleau said. Then it connects that information with reported deferred earnings and the implied tax bill. "The connection there, of course is: 'Well, they have subsidiaries in what we call tax havens, they have a low effective rate on

some of their income.” They then use these connections as evidence of questionable business tactics, he said.

This conclusion isn't entirely bulletproof, Pomerleau said. The report would have benefitted from “connecting the dots for people,” he said. The contributing groups should have shed light on the mechanics of how these companies were lowering their tax bills, he said.

At the same time, Pomerleau said, there are numerous questions today about what actually constitutes a “tax haven” and many countries are merely accusing each other of being such.

“There are legitimate policy concerns about profit shifting, but I think just pointing to countries that have lower tax burdens than the United States and calling them tax havens isn't particularly informative,” Pomerleau said.

Nothing ‘Dodgy’?

Daniel J. Mitchell, a senior fellow at the Cato Institute who specializes in tax reform and international tax competition, said he doesn't necessarily disagree with the numbers that have been reported, but said “tax haven” is a pejorative word that implies that “somehow something shady is going on.”

But that isn't the case, Mitchell told Bloomberg BNA Oct. 4. “There's zero tax evasion; there's nothing remotely dodgy about what's happening. Companies are simply using these low-tax jurisdictions in order to compete effectively with their foreign competitors.”

He said it makes sense that companies are shifting to tax-friendly jurisdictions to mitigate the burden of the 35 percent U.S. federal corporate tax rate.

However, Eric Toder, an institute fellow and codirector at the Tax Policy Center, painted a different. He presented an example with the disclaimer: “Tell me whether you think this is shady or not.”

Intangible property, which includes brand identity or intellectual property, has become increasingly important in recent years, he said. And “what happens is the company, which is formed in the U.S., transfers its intangible property to its subsidiary in a low-tax country,” he told Bloomberg BNA Oct. 4.

“Now if they had valued that intangible property correctly, they would have paid a large tax when they transferred those assets,” Toder said. “But if they transfer it fairly early in the process when they aren't generating much revenue—say, Apple's developed an iPad but it hasn't started producing anything yet, selling any yet—then the question is: How is that valued? And that tends to be transferred at a very low value.”

Toder, like Surka, noted that these practices give multinational companies an advantage over local corporations.

Looking Forward.

The answer to how to end profit shifting overseas has become a significant subject of debate in recent years.

"Our attempt to have multinational companies taxed in today's world separately by different countries is very hard to do," Toder said. It's difficult to tax on the concept of where profits are made because much of what exists is intangible property; at the same time, it's difficult to tax on the concept of corporate residence because companies are more globalized with shareholders, customers and employees all over the world, he said.

The analysts provided different solutions on how to stop U.S. companies from shifting profits overseas. Mitchell suggested lowering the corporate tax rate and moving away from worldwide taxation of corporate income to a territorial system to match most developed countries.

Both Republican presidential candidate Donald Trump and House Republicans, in their recent tax overhaul blueprint, have suggested a lower tax rate, although they differ on what the rate should actually be—15 percent and 20 percent, respectively.

Mitchell said he opposes proposals to repeal companies' rights to defer taxes on their overseas earnings until they bring the money back to the U.S.

The Obama administration has proposed this change in the past, while Democratic presidential candidate Hillary Clinton has suggested imposing an "exit tax" on the untaxed overseas earnings of multinational companies (167 DTR G-1, 8/29/16).

More on Reform.

Pomerleau's ideas to stem profit shifting were generally similar to Mitchell's suggestions.

He recommended lowering the corporate tax rate but also said the U.S. should limit interest deductions and strengthen controlled foreign corporation (CFC) regulations to prevent companies from setting up subsidiaries overseas and "earning a bunch of passive income."

He also opposed eliminating deferrals, saying that would create more harm than good. It would be like "using a sword to do precise surgery," he said.

Like the other analysts, Toder recommended lowering the corporate tax rate, but said that can't happen in a vacuum.

A plan he co-developed would lower the rate to 15 percent but "make up the revenue by taxing shareholders at ordinary income rates and taxing them on gains when they accrue the gain, as opposed to when they realize it, so they would pay every year on the change in the value of their assets," Toder said.

"That would be a way of shifting the tax to the shareholder level, which avoids profit-shifting problems because it would be based on U.S. residence, and individuals aren't likely to change their U.S. residence or give up their nationality to avoid this tax."

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Tax Notes Today

October 5, 2016

IRS MOVES TO END LEVERAGED PARTNERSHIPS AND BOTTOM GUARANTEES

By Matthew Madara

Guidance released October 4 will reshape the partnership landscape by making significant changes to the disguised sale and debt allocation rules, practitioners told Tax Analysts.

The final (T.D. 9787 (Doc 2016-20034)), temporary (T.D. 9788 (Doc 2016-20031)), and repropose (REG-122855-15 (Doc 2016-20032)) regulations alter the section 707 disguised sale and section 752 debt allocation rules in an attempt by the government to eliminate leveraged partnerships, curtail bottom-dollar guarantees, and restrict deficit restoration obligations.

"The controversial aspect of this package is the temporary regulations on both disguised sales and bottom-dollar guarantees," according to Richard M. Lipton of Baker & McKenzie. "The portion concerning disguised sales, which is intended to prevent leveraged partnership transactions, may or may not prove to be effective," he said, adding that "the real problem is the temporary regulations on bottom-dollar guarantees."

Another controversial decision in the temporary regs is the immediate effective date in application to section 752, which "will be exceedingly disruptive and could cause major issues for the real estate industry," Lipton said.

Jon Finkelstein of KPMG LLP said he's "pleased with the IRS's efforts on the disguised sale front as it relates to providing additional flexibility, in particular with the tiered partnership rules and the reimbursement of preformation expenditure rule." However, "the decision to treat all liabilities as nonrecourse liabilities under the third tier allocated solely in accordance with partnership profits" under section 707 is concerning, he said, because it "essentially shuts down leveraged partnership transactions."

"I have some concerns about whether that is consistent with the legislative history for the debt-financed distribution exception for disguised sales," Finkelstein said.

Eric B. Sloan of Gibson, Dunn & Crutcher LLP, one of the principal authors of a May 2014 report (Doc 2014-13506) on the proposed regs (REG-119305-11 (Doc 2014-1995)) by the New York State Bar Association Tax Section, said it was gratifying to see how seriously the government took the association's comments and suggestions. The government "modified the proposed regulations -- really in substantial ways -- in response to our suggestions in the report," he said. (Prior coverage (Doc 2014-2061).)

"Overall, I think it is a really good step forward," Sloan said, adding that the government finalized the parts of the rules that were expected and that the "reproposing of substantial parts of the [section] 752 regulations makes a lot of sense."

Officials from the Treasury Department and the IRS previewed the guidance and the pending changes at the American Bar Association Section of Taxation meeting September 30 in Boston. (Prior coverage (Doc 2016-19907), (Doc 2016-19817).)

Monte A. Jackel of Akin Gump Strauss Hauer & Feld LLP said the guidance addresses deficit restoration obligations and undoes leveraged partnerships, but does not contain many surprises. "I didn't see anything in the preamble that's different from what I expected to see," he added.

Temporary Regs

The IRS's decision to release temporary regs, rather than repropose some guidance, drew criticism because of the changes that the agency is implementing.

"I'm not surprised they went final with the disguised sale regulation proposals generally, since they were pretty favorably received," Finkelstein said. However, "the treatment of all liabilities as nonrecourse for that purpose . . . is a fairly new concept." The temporary regs governing reg. section 1.707-5 are effective 90 days after publication, which "gives some time for transactions currently underway, but not a lot of time for the significance of the change," he said.

Sloan said he was disappointed the IRS issued the section 752 regs as temporary guidance even though the government adopted the New York State Bar's recommendation. The temporary rules "make all liabilities deallocated as nonrecourse for disguised sale purposes," he said, adding that "that's a pretty dramatic change in the law" and would be more appropriate as a proposed regulation.

Sloan said the proposed regs could have been made effective as of the date of publication and finalized quickly, which would have "achieved much of what they wanted to achieve without going directly to temporary [regs] and opening themselves up to criticism from taxpayers."

Sloan also dispelled the notion that the temporary regs make all liabilities nonrecourse for disguised sale purposes. "That's a bit of an overstatement," he said.

According to Sloan, "treating the liability as nonrecourse is just a fancy way of saying we disregard payment obligations of the person receiving the proceeds of the borrowing, we don't disregard all payment obligations." The rule treating all liabilities as nonrecourse for disguised sale purposes does not apply if another partner has economic risk of loss for the liability, he said.

Bottom Guarantees

The temporary regs will effectively prohibit bottom-dollar guarantees, but do provide exceptions for vertical slice guarantees and indemnification arrangements in which the full amount of the debt is guaranteed but the guarantor remains liable for at least 90 percent of its original obligation.

There are billions of bottom-dollar guarantees out there, Lipton said, adding that those who contributed property to a real estate investment trust as part of a deal involving operating partnership units used a bottom-dollar guarantee to freeze their capital account. The real concern is that SEC disclosures and financial reporting obligations could be triggered as a result of an immediately effective change in the rules, with nobody having an opportunity to try to address them, he said.

According to Lipton, the bottom-dollar guarantee guidance "appears to be contrary to the legislative history of section 752 and case law, and disregards many of the comments that the IRS received on the proposed regulations."

"The IRS's continuing war against bottom-dollar guarantees may have adverse economic and SEC reporting consequences, which could have been avoided if the IRS had heeded numerous recommendations that it repropose these rules rather than rush them out in a temporary format," Lipton said.

Sloan said the part of the temporary regs dealing with bottom-dollar guarantees is complicated and should have been reproposed.

Finkelstein said bottom-dollar guarantees are extensively used, particularly in the real estate area. "It is a big change in the theory of how you allocate liabilities; it was a pure mechanical test and with the factors added to the antiabuse rule, it's moved more into a likelihood-of-payment and ability-to-pay test," he said.

According to Finkelstein, the mechanical test made it easy for partnerships to determine the allocation of liabilities and did not require the analysis it now will. "It was sort of a very simple regime that I think most people thought worked very well," he said, adding that "this is a big change from that."

Determining Net Value

The IRS also intends to make changes to the net value rules in reg. section 1.752-2(b)(6). The proposed regs would withdraw the reg. section 1.752-2(k) rules, which provide that for purposes of determining the extent to which a partner bears the economic risk of loss for a partnership liability, a payment obligation of a disregarded business entity is taken into account only to the extent of the net value of the disregarded entity, as of the allocation date, that is allocated to the partnership liability.

According to the IRS, the 2014 proposed regs would have expanded the application of the net value rules, a proposal it said it received comments on. Agreeing with the concerns raised, the IRS has opted to remove reg. section 1.752-2(k) and expand on the antiabuse rule in reg. section 1.752-2(j).

Sloan said the IRS should abandon its proposal to withdraw reg. section 1.752-2(k), which is part of the liability allocation rules that address disregarded entities that are partners. The rule is complicated, "but it has been very effective, it is well understood by taxpayers, and I think that removing that is going to remove a level of certainty with disregarded entities," he said.

According to Sloan, reg. section 1.752-2(k) is a completely mechanical, substantive rule. Removing a rule that provides a level of certainty, without replacing it with something that provides the same certainty, is not advisable, he said.

Finkelstein raised concern about the reg. section 1.752-2(j) presumption the IRS is proposing, which provides that "evidence of a plan to circumvent or avoid an obligation is deemed to exist if the facts and circumstances indicate that there is not a reasonable expectation that the payment obligor will have the ability to make the required payments if the payment obligation becomes due and payable." This appears to require partnerships to "evaluate the ability to pay for any obligor, including an individual," he said.

According to Finkelstein, this is a broad rule that the IRS is putting in place of reg. section 1.752-2(k) because it applies to any obligor, not just disregarded entities. "This will require a partnership to make a more extensive evaluation of obligations entered into with respect to its liabilities," he said.

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Tax Evasion: Chiropractor Owes \$404 Million in Deficiencies, Penalties

By Matthew Beddingfield

A California chiropractor is liable for \$404 million in tax deficiencies and penalties for using different IDs and bank accounts to hide millions he earned from his private practice (Reynoso v. Commissioner, T.C., No. 8312-09, T.C. Memo. 2016-185, 10/4/16).

U.S. Tax Court Judge Mark V. Holmes ruled Oct. 4 that Ramon Reynoso, who didn't file any tax returns for 1997 through 2004, fraudulently used false taxpayer identification numbers and Social Security numbers to divert insurance payments to various bank accounts and trusts to avoid paying taxes. Holmes rejected Reynoso's attempt to offset his gross receipts with heavy stock-trading losses.

Reynoso was a qualified medical examiner for California from 1997 to 2004, and also bought and sold securities during those years.

False Identification.

Reynoso sent, Forms W-9, Request for Taxpayer Identification Number and Certification, with false SSNs and TINs to insurance companies, according to the opinion. After receiving proceeds from the insurance companies, he would deposit the money into checking accounts at various banks, or in family trusts, it said, and when opening bank accounts, would provide a false SSN.

"Dr. Reynoso kept no track of his business receipts or expenses. He had neither an accountant nor a bookkeeper," the opinion said.

The Internal Revenue Service opened a criminal investigation in 2003, and collected statements from Reynoso's banks, brokerages and mortgage companies, as well as trust documents, credit card statements and IRS forms.

"The evidence against him was damning, and in April 2008 Dr. Reynoso pleaded guilty to income tax evasion," Holmes said.

Failure to File.

The IRS issued Reynoso a deficiency notice after his criminal proceedings, finding him liable for \$404.4 million in tax deficiencies and penalties for the years at issue. Reynoso admitted during his Tax Court trial in San Francisco that he didn't file any returns for 1997 to 2004, arguing that his losses as a day trader exceeded his income and that he "believed that a return was not necessary."

The IRS countered that Reynoso couldn't offset his income with his stock-trading losses because he didn't correctly calculate his losses, and that tax code Section 1211(b) limits those losses to \$3,000 per year.

Reynoso initially argued at the Tax Court that he didn't provide any business records for the court because of their "vastness," but later amended his argument to say that the criminal investigators took his records and lost them.

Holmes ruled that the IRS's bank-deposits analysis accurately reflected Reynoso's gross receipts, and that Reynoso wasn't entitled to offset his income by more than the \$3,000 per year allowed by the tax code.

Uncooperative Defendant.

According to Holmes, Reynoso also couldn't take business deductions for expenses incurred during the years at issue because of his "utter lack of credibility, unwillingness to cooperate with the Commissioner, and lack of documentation."

Holmes said that Reynoso knew his legal duty to file the returns and pay the tax, but sought to avoid it.

The court found that the IRS had shown that Reynoso "failed to file his required returns with the intent to conceal, mislead, or otherwise prevent the collection of tax," and affirmed the penalties assessed by the IRS.

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Disaster Relief: IRS Extends Tax Deadlines in Florida Counties Hit by Hermine

Some tax filing and payment deadlines are extended to Jan. 17, 2017, for businesses and individuals in eight Florida counties affected by Hurricane Hermine, the IRS said.

Citrus, Dixie, Hernando, Hillsborough, Leon, Levy, Pasco and Pinellas counties have been declared disaster areas, which qualifies residents and businesses for relief under Treasury Regulations Section 301.7508A-1(d)(2), the Internal Revenue Service said in a Sept. 29 news release (FL-2016-19).

The disaster declaration means that certain deadlines falling on or after Aug. 31, 2016, and on or before Jan. 17, 2017, can be postponed until Jan. 17. The postponement includes deadlines for:

- individual returns on extension due Oct. 17,
- quarterly estimated tax payments due Sept. 15,
- 2015 corporate and partnership returns on extension through Sept. 15, and
- quarterly payroll and excise tax returns.

In addition, the IRS is waiving failure-to-deposit penalties for employment and excise tax deposits due on or after Aug. 31, provided they were made by Sept. 15.

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Health Care: IRS ACA Compliance Checks Give Nonprofit Hospitals 'Nudge'

By Colleen Murphy

The Internal Revenue Service's continued spotlight on Affordable Care Act compliance is a good wake-up call for tax-exempt hospitals.

The agency completed 692 reviews of hospitals and nearly a quarter of those—166—were referred for field examination in fiscal year 2016. The scrutiny specifically related to the tax code Section 501(r) requirements imposed in the ACA, according to a Tax Exempt and Government Entities Division work plan released Sept. 29. The IRS is likely to keep up the focus for the next several years, and hospitals should check their own compliance now that the regulations are in full force, several attorneys with experience in nonprofit health care told Bloomberg BNA.

"We've entered into the enforcement phase now," said Donald B. Stuart, a partner at Waller Lansden Dortch & Davis LLP. "We've just moved into this new phase and new stage of 501(r), which is going to be a little bit of a wake-up call for a lot of people."

Hospitals were flagged for a field exam if they lacked a community health needs assessment, financial assistance and/or emergency medical care policy or necessary billing and collection requirements—several of the provisions hospitals must meet to comply with Section 501(r). The IRS will continue to review tax-exempt hospitals' 501(r) compliance going forward, according to the work plan (190 DTR G-2, 9/30/16).

"I think the IRS efforts here will give a nudge to some like 'Uh oh, we could get that knock on the door, it could be us being audited next time around, and let's go back and look,'" said Linda S. Moroney, a partner at Drinker Biddle & Reath LLP. "The IRS has acknowledged again and again 'Look, we don't have the resources to audit every organization out there,' so they appropriately publicize what it is they're doing with the hope it gets the maximum bang for the buck."

New Phase.

The IRS released final regulations (T.D. 9708) on community health needs assessments and financial assistance requirements on Dec. 29, 2014, solidifying two sets of proposed rules on the ACA requirements. The final regulations became effective

for tax years beginning on or after Dec. 29, 2015, meaning calendar-year-end hospitals had to be in compliance on Jan. 1, 2016, and tax-exempt hospitals with a different fiscal year end had to be in compliance by Oct. 1 (249 DTR G-5, 12/30/14).

Because failing to comply could cost an organization its tax-exempt status, the requirements go to "the heart of the hospital," said Stuart, who has trained IRS auditors conducting 501(r) reviews. And while some organizations may have hoped the rules would be repealed, "if anything, it looks like they're going to be here for awhile," he said.

An audit could mean the IRS puts its microscope on other areas, like unrelated business income or excess benefit transactions—a reality hospitals must accept, he said.

Hospitals should also know they can make corrections for mistakes, which will put them "in a better light," with the IRS, Stuart said. Certain failures won't be considered to violate 501(r) if the hospital properly corrects and discloses them, the IRS said in Revenue Procedure 2015-21, which builds on Notice 2014-3.

'Still Learning.'

Being referred for an exam doesn't necessarily suggest noncompliance, but rather shows the IRS reviewer needed additional information from the organization, Exempt Organizations Director Tamera Ripperda said during a Sept. 29 press call.

Hospitals are also likely "still learning" the ins and outs of what it means to comply with the regulations, Sunita B. Lough, the Tax Exempt and Government Entities Division commissioner, said on the call.

"It sometimes takes awhile for folks to really get in the groove and learn what it means and start following," she said.

'Matter of Fairness.'

While some attorneys said the numbers of reviews and referrals seemed high, the agency's focus is in line with ACA requirements and is something Sen. Charles E. Grassley (R-Iowa) has specifically championed.

The IRS must review, at least once every three years, the community benefit activities of about 3,000 tax-exempt hospitals, according to the ACA. The agency reviews one-third of the population annually so the entire population is reviewed over a three-year

period. As of June 27, the IRS had completed 2,482 compliance reviews for the three-year period including 2014, 2015 and 2016, according to a letter IRS Commissioner John Koskinen sent that day to Grassley.

In a review, the agency analyzes information returns, hospital websites and "other information designed to identify the hospitals with the highest likelihood of non-compliance," Koskinen said in the letter. The agency would home in on Schedule H of the Form 990, Return of Organization Exempt from Income Tax, which requires hospitals to answer myriad questions about their financial assistance policies and community health needs assessment, attorneys said.

Hospitals must earn their tax-exempt status, and the IRS is right to make sure they "hold up their end of the deal," Grassley said in an Oct. 4 statement to Bloomberg BNA.

"It's a matter of fairness to the many individuals and businesses that pay taxes. There have been some serious abuses at tax-exempt hospitals, such as aggressively suing low-income taxpayers instead of helping them with health care. The IRS needs to pay attention to problems that are contrary to the spirit and letter of the law," Grassley said.

Possible Pitfalls.

The different elements of Section 501(r) all pose challenges for hospitals, the attorneys said.

The detail of the regulations and their prescriptive nature could mean "risk of foot faults on the part of many organizations," though they have had several years to prepare, said Douglas Mancino, a partner at Seyfarth Shaw LLP.

"The threshold for levels of permitted noncompliance is really, really low in the eyes of the IRS, according to what they've published," Mancino said.

Mancino has one client, a large health system, under an audit where 501(r) was raised as an audit term, though it was for a year prior to when the regulations were finalized, making it more of a "check list item" than a substantive review.

And even when the guidance seems straightforward, like with the community health needs assessment requirements, it is still labor-intensive, Stuart said. Hospitals must develop an implementation strategy and consistently document their actions, he said. A hospital could face a \$50,000 tax for failing to meet the community health needs requirement, according to Section 4959.

Complying with the requirements is also a "public relations exercise," which puts pressure on hospitals, Stuart said. Hospitals must make their community health needs assessment reports and financial assistance policies widely available online, according to the rules. Thus, watchdog groups, lawmakers, community members and unions will be watching to see how organizations comply, he said.

"They really need to understand that, because a lot of people are looking for this now," Stuart said. "It's not just the IRS" that may come knocking on the door.

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IRS EXPANDING DIGITAL AUTHENTICATION TOOL TO LANDLINE PHONES

By Luca Gattoni-Celli

The IRS is working to eventually include landline phone users in its secure access identity proofing and multifactor authentication process by allowing them to request "voice text" verification codes, the agency said in an FAQ document (Doc 2016-20092) emailed to e-services users on September 30.

Other new details about secure access emerged from the guide (Doc 2016-20092) for tax professionals using the IRS's e-services portal, most of whom must complete the process starting October 24, a requirement the IRS announced on September 22. (Prior coverage (Doc 2016-19176).)

For example, the IRS said that e-services users, at least, "will recertify every two years."

The IRS currently requires taxpayers completing secure access to have a text message-enabled mobile phone to receive an initial activation code as well as verification codes each time they log in. Those with mobile phone plans not meeting initial IRS criteria can request a mailed letter containing an activation code to confirm their phone number. (Prior coverage (Doc 2016-17004).)

Based on how other online services use phone calls for authentication, it appears that the IRS would call a taxpayer's landline phone and use an automated voice to dictate the text of a verification code to allow him to log in to secure access.

Secure access debuted in June with the relaunch of the Get Transcript Online tax record retrieval tool, later incorporating a revived identity protection personal identification number online retrieval tool. It is expected to eventually undergird full-featured online accounts at the heart of the IRS's future state vision for moving most taxpayer service functions online. (Prior coverage (Doc 2016-17177).)

As early as April, IRS Commissioner John Koskinen discussed his agency's desire to maximize its new authentication process's accessibility while keeping it secure. (Prior coverage (Doc 2016-7880).)

However, the FAQ cautioned that the "new landline feature may be several months away."

Success Rates

One FAQ item combines two key questions: "What is the success rate for Get Transcript? What is [the] estimated success rate for e-services?" However, the IRS does not provide any figures, saying only, "We have put in place some extraordinary steps to help ensure that e-services users are authenticated by web, by phone or in person."

Those steps include extra help desk staff starting October 24 and allowing users to present identification in-person at taxpayer assistance centers if they are unable to complete identity proofing by phone, the IRS said.

National Taxpayer Advocate Nina Olson told Tax Analysts during a September 26 interview that the most recent data she had on user access rates was a 27 percent figure for all taxpayers attempting the process, which she said she had seen about a month earlier in an IRS email. However, Olson added that she expects tax professionals will do better than the general population.

IRS Advises Early Action

The IRS in the FAQ reiterated that e-services users should try to complete secure access before the deadline by setting up a Get Transcript Online account for themselves, saying that those who do so will need to change only their e-services password on October 24.

A taxpayer's current e-services username will become the default username for all IRS.gov tools using secure access, including Get Transcript authentication. Each username will have just one email address associated with it, the agency said.

The IRS also advised reporting agents facing an October 31 deadline as well as return transmitters and software developers facing imminent testing periods to work proactively. Electronic return originators should update their electronic filing application now, and reporting agents using e-services to e-file employment Forms 94x, "Online Signature PIN (IRS Authorized Signer)," should do so before October 24, the IRS said.

The IRS FAQ explains that individual taxpayers, not their employers, would have to complete secure access based on information such as the name and filing status listed on their most recently filed tax return.

The IRS can independently verify only mobile phone numbers registered in an individual's name, but the agency noted that users can request a mailed activation code to use a business mobile phone number for secure access.

The FAQ raises questions about navigating rules against using mobile phones at work or agency rules against receiving text messages on work phones -- or even enabling that capability -- for security reasons. The IRS answered: "One reason for providing advance notice is so agencies and organizations could identify potential policy issues and make adjustments if necessary."

The IRS gave the same response to questions from e-services users who access the transcript delivery service daily, indicating that those users should act well before October 24 if they will need to wait the five to 10 days for a mailed activation code to complete secure access.

The guide was linked to in an IRS email newsletter as well as on an IRS webpage (<http://goo.gl/cMGO78>) for e-services users.

In its weekly email newsletter, the National Association of Enrolled Agents (NAEA) reported September 30 that it asked the IRS about its members outside of the United States. The IRS responded that e-services users must have a U.S.-based mobile phone for now but, "We are exploring alternatives for foreign-based practitioners," the IRS replied, according to the NAEA.

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Indian Police Detain Workers Over Possible IRS Phone Scam

Police say workers would dial people in the U.S. and threaten them with jail time if they didn't pay up

By Shefali Anand

THANE, India—Indian police on Wednesday arrested 70 people they said were part of call-center operations in a Mumbai suburb whose employees posed as U.S. Internal Revenue Service officials and tried to trick Americans into sending them money.

More than 700 people were manning the phones in three multistory buildings when police burst in on Tuesday night, authorities said. Police said workers would dial people in the U.S. and threaten them with jail time if they didn't pay up.

"You can call it a scam center," said Parag Manere, a deputy commissioner of police in Thane.

Police said they arrested those suspected of playing leading roles in the alleged fraudulent activities. They were being held on suspicion of cheating by impersonation and extortion. The role of hundreds of others present was still being investigated, police said.

The people arrested were in custody on Wednesday evening and couldn't be reached for comment. It was unclear if they were represented by lawyers.

India has long been a home for call-center businesses that are part of its larger outsourcing industry, which employs millions and includes some of the nation's most prominent corporate names. Operators at outsourcers help callers with everything from banking to setting up computers.

Mr. Manere said the Thane centers involved in the case had been set up expressly for fraud. In some cases, they would ask people to buy gift cards for iTunes or other retailers as a way of transferring funds. In others, money was deposited in bank accounts, police said.

In June, India's National Association of Software and Services Companies said it was setting up a task force to detect and prevent fraud at outsourcing firms, but declined to say what had prompted the move.

Param Bir Singh, Thane's commissioner of police, said there could be more small call centers engaged in questionable activities in the suburb. "It could be bigger than this," he said.

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ENDING DEFERRAL WOULD RAISE \$ 718 BILLION IN U.S. TAX REVENUE, REPORT SAYS

By Ryan Finley

A deemed repatriation of Fortune 500 companies' foreign earnings would yield an estimated \$ 718 billion in U.S. tax revenue at the standard corporate rate, a report by public interest and tax justice advocacy groups says.

According to an October 4 report prepared by the U.S. Public Interest Research Group, Citizens for Tax Justice, and the Institute on Taxation and Economic Policy, the estimated 6.2 percent tax rate on Fortune 500 companies' foreign earnings implies that most of their \$ 2.5 trillion in offshore foreign earnings is reported by subsidiaries located in tax havens. The top 30 companies, listed by offshore holdings, account for two-thirds of the total, with Apple (\$ 215 billion), Pfizer (\$ 194 billion), and Microsoft (\$ 124 billion) topping the list.

"Corporate tax dodging may be legal, but it's certainly not good for everyday taxpayers and responsible small businesses," said Michelle Surka of the U.S. Public Interest Research Group in a press release. "We're beginning to see a growing international interest in cracking down on corporate tax dodging, and with \$ 717.8 billion on the line, it's time for the U.S. to start doing the same."

The report estimates the foreign tax rate and additional U.S. tax (net of any foreign tax credits) by extrapolating data from the 58 Fortune 500 companies that report estimates of the additional tax they would owe upon repatriation. Because the aggregate additional tax due from those companies amounts to 28.8 percent of the repatriated income, the 6.2 percent difference between that rate and the 35 percent U.S. statutory rate represents the foreign tax rate. The report applies the 28.8 percent rate to the total offshore earnings of \$ 2.5 trillion, resulting in an estimate of \$ 718 billion.

Asked whether the report paints a fair picture of Apple in light of its reported effective tax rate of 26 percent, Richard Phillips of Citizens for Tax Justice, one of the report's coauthors, told Tax Analysts that the company's 18.3 percent rate for cash taxes paid for the 2009-2015 period is the more reliable figure. "In addition, I'd point out that the main issue we've taken with Apple is not that they're not paying tax on some of their

income, it's the fact that a substantial amount of their income is going almost entirely untaxed," he added.

The report also objects to the total number of tax haven subsidiaries held by U.S. multinationals, estimating that the total may be as high as 55,000 for the Fortune 500. Although many offshore subsidiaries do not show up in companies' SEC filings, at least 367 of the Fortune 500 companies maintain subsidiaries in tax havens and the top 20 account for 4,373 of those entities, the report says. Subsidiaries of U.S. multinationals reported profits of more than 100 percent of national GDP for five tax havens, including 1,313 percent for the Cayman Islands and 1,884 percent for Bermuda.

The best way to address aggressive tax planning is to simply end deferral, according to the report. In the absence of complete elimination of deferral, the report recommends adopting tighter anti-inversion rules, eliminating the check-the-box election, and preventing aggressive tax planning through intellectual property transfers. It also supports the Obama administration's proposal to treat as subpart F income excess profits earned by a controlled foreign corporation from U.S.-developed intangibles. Under the proposal, all excess income taxed at 10 percent or less would be included in subpart F and would phase out from 10 to 15 percent.

"In calling for an end to deferral, it's not unfair to say that we do think that U.S. companies' IP income should be taxed immediately no matter where it is," Phillips said. "Short of ending deferral, we are supporting proposals like the one in President Obama's budget."

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Profit Shifting: Report: \$718 Billion in Taxes Lost in 2015 to Offshore Profits

By Allyson Versprille

Nearly three-quarters of Fortune 500 companies maintained subsidiaries in offshore tax havens in 2015, collectively reporting \$2.5 trillion in offshore profits worth \$717.8 billion in federal tax revenue, according to a new report.

The report was released Oct. 4 as Congress, the Obama administration and presidential candidates debate how to stem tax base erosion and profit shifting in the U.S.

The company that made the most in offshore profits in 2015 was Apple Inc. with \$214.9 billion in earnings, according to "Offshore Shell Games," by the U.S. PIRG Education Fund, Citizens for Tax Justice, and the Institute on Taxation and Economic Policy. The company would owe \$65.4 billion in U.S. taxes if these profits weren't held offshore, the report said.

Other big names in the study include Pfizer Inc., PepsiCo Inc., Goldman Sachs Group Inc. and Nike Inc.

"Corporate tax dodging may be legal, but it's certainly not good for everyday taxpayers and responsible small businesses," Michelle Surka, an advocate with U.S. PIRG, said in a news release accompanying the report. When companies shift profits overseas, small businesses that don't have access to "scores of lawyers" are disadvantaged, and in the end U.S. taxpayers are hurt, she said.

The study utilizes a list of 50 jurisdictions that appear on at least one roster of tax havens compiled by the Organization for Economic Cooperation and Development, the National Bureau of Economic Research, the Government Accountability Office or as part of a U.S. District Court order listing tax havens.

Kyle Pomerleau, the director of federal projects at the Tax Foundation, said the report doesn't "make a very strong case" that anything untoward is happening.

Missing Info.

In an Oct. 4 interview, he said there is important information missing from the report.

The study seems to take a list of "politically accepted" tax havens and then look at which U.S. companies have subsidiaries in those countries, and how many, Pomerleau said. Then it connects that information with reported deferred earnings and the implied tax bill. "The connection there, of course is: 'Well, they have subsidiaries in what we call tax havens, they have a low effective rate on some of their income.'" They then use these connections as evidence of questionable business tactics, he said.

This conclusion isn't entirely bulletproof, Pomerleau said. The report would have benefitted from "connecting the dots for people," he said. The contributing groups should have shed light on the mechanics of how these companies were lowering their tax bills, he said.

At the same time, Pomerleau said, there are numerous questions today about what actually constitutes a "tax haven" and many countries are merely accusing each other of being such.

"There are legitimate policy concerns about profit shifting, but I think just pointing to countries that have lower tax burdens than the United States and calling them tax havens isn't particularly informative," Pomerleau said.

Nothing 'Dodgy'?

Daniel J. Mitchell, a senior fellow at the Cato Institute who specializes in tax reform and international tax competition, said he doesn't necessarily disagree with the numbers that have been reported, but said "tax haven" is a pejorative word that implies that "somehow something shady is going on."

But that isn't the case, Mitchell told Bloomberg BNA Oct. 4. "There's zero tax evasion; there's nothing remotely dodgy about what's happening. Companies are simply using these low-tax jurisdictions in order to compete effectively with their foreign competitors."

He said it makes sense that companies are shifting to tax-friendly jurisdictions to mitigate the burden of the 35 percent U.S. federal corporate tax rate.

However, Eric Toder, an institute fellow and codirector at the Tax Policy Center, painted a different picture. He presented an example with the disclaimer: "Tell me whether you think this is shady or not."

Intangible property, which includes brand identity or intellectual property, has become increasingly important in recent years, he said. And "what happens is the company, which is formed in the U.S., transfers its intangible property to its subsidiary in a low-tax country," he told Bloomberg BNA Oct. 4.

"Now if they had valued that intangible property correctly, they would have paid a large tax when they transferred those assets," Toder said. "But if they transfer it fairly early in the process when they aren't generating much revenue—say, Apple's developed an iPad but it hasn't started producing anything yet, selling any yet—then the question is: How is that valued? And that tends to be transferred at a very low value."

Toder, like Surka, noted that these practices give multinational companies an advantage over local corporations.

Looking Forward.

The answer to how to end profit shifting overseas has become a significant subject of debate in recent years.

"Our attempt to have multinational companies taxed in today's world separately by different countries is very hard to do," Toder said. It's difficult to tax on the concept of where profits are made because much of what exists is intangible property; at the same time, it's difficult to tax on the concept of corporate residence because companies are more globalized with shareholders, customers and employees all over the world, he said.

The analysts provided different solutions on how to stop U.S. companies from shifting profits overseas. Mitchell suggested lowering the corporate tax rate and moving away from worldwide taxation of corporate income to a territorial system to match most developed countries.

Both Republican presidential candidate Donald Trump and House Republicans, in their recent tax overhaul blueprint, have suggested a lower tax rate, although they differ on what the rate should actually be—15 percent and 20 percent, respectively.

Mitchell said he opposes proposals to repeal companies' rights to defer taxes on their overseas earnings until they bring the money back to the U.S.

The Obama administration has proposed this change in the past, while Democratic presidential candidate Hillary Clinton has suggested imposing an "exit tax" on the untaxed overseas earnings of multinational companies (167 DTR G-1, 8/29/16).

More on Reform.

Pomerleau's ideas to stem profit shifting were generally similar to Mitchell's suggestions.

He recommended lowering the corporate tax rate but also said the U.S. should limit interest deductions and strengthen controlled foreign corporation (CFC) regulations to prevent companies from setting up subsidiaries overseas and "earning a bunch of passive income."

He also opposed eliminating deferrals, saying that would create more harm than good. It would be like "using a sword to do precise surgery," he said.

Like the other analysts, Toder recommended lowering the corporate tax rate, but said that can't happen in a vacuum.

A plan he co-developed would lower the rate to 15 percent but "make up the revenue by taxing shareholders at ordinary income rates and taxing them on gains when they accrue the gain, as opposed to when they realize it, so they would pay every year on the change in the value of their assets," Toder said.

"That would be a way of shifting the tax to the shareholder level, which avoids profit-shifting problems because it would be based on U.S. residence, and individuals aren't likely to change their U.S. residence or give up their nationality to avoid this tax."

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Tax Notes Today

October 5, 2016

IRS MOVES TO END LEVERAGED PARTNERSHIPS AND BOTTOM GUARANTEES

By Matthew Madara

Guidance released October 4 will reshape the partnership landscape by making significant changes to the disguised sale and debt allocation rules, practitioners told Tax Analysts.

The final (T.D. 9787 (Doc 2016-20034)), temporary (T.D. 9788 (Doc 2016-20031)), and repropounded (REG-122855-15 (Doc 2016-20032)) regulations alter the section 707 disguised sale and section 752 debt allocation rules in an attempt by the government to eliminate leveraged partnerships, curtail bottom-dollar guarantees, and restrict deficit restoration obligations.

"The controversial aspect of this package is the temporary regulations on both disguised sales and bottom-dollar guarantees," according to Richard M. Lipton of Baker & McKenzie. "The portion concerning disguised sales, which is intended to prevent leveraged partnership transactions, may or may not prove to be effective," he said, adding that "the real problem is the temporary regulations on bottom-dollar guarantees."

Another controversial decision in the temporary regs is the immediate effective date in application to section 752, which "will be exceedingly disruptive and could cause major issues for the real estate industry," Lipton said.

Jon Finkelstein of KPMG LLP said he's "pleased with the IRS's efforts on the disguised sale front as it relates to providing additional flexibility, in particular with the tiered partnership rules and the reimbursement of preformation expenditure rule." However, "the decision to treat all liabilities as nonrecourse liabilities under the third tier allocated solely in accordance with partnership profits" under section 707 is concerning, he said, because it "essentially shuts down leveraged partnership transactions."

"I have some concerns about whether that is consistent with the legislative history for the debt-financed distribution exception for disguised sales," Finkelstein said.

Eric B. Sloan of Gibson, Dunn & Crutcher LLP, one of the principal authors of a May 2014 report (Doc 2014-13506) on the proposed regs (REG-119305-11 (Doc 2014-1995)) by the New York State Bar Association Tax Section, said it was gratifying to see

how seriously the government took the association's comments and suggestions. The government "modified the proposed regulations -- really in substantial ways -- in response to our suggestions in the report," he said. (Prior coverage (Doc 2014-2061).)

"Overall, I think it is a really good step forward," Sloan said, adding that the government finalized the parts of the rules that were expected and that the "reproposing of substantial parts of the [section] 752 regulations makes a lot of sense."

Officials from the Treasury Department and the IRS previewed the guidance and the pending changes at the American Bar Association Section of Taxation meeting September 30 in Boston. (Prior coverage (Doc 2016-19907), (Doc 2016-19817).)

Monte A. Jackel of Akin Gump Strauss Hauer & Feld LLP said the guidance addresses deficit restoration obligations and undoes leveraged partnerships, but does not contain many surprises. "I didn't see anything in the preamble that's different from what I expected to see," he added.

Temporary Regs

The IRS's decision to release temporary regs, rather than repropose some guidance, drew criticism because of the changes that the agency is implementing.

"I'm not surprised they went final with the disguised sale regulation proposals generally, since they were pretty favorably received," Finkelstein said. However, "the treatment of all liabilities as nonrecourse for that purpose . . . is a fairly new concept." The temporary regs governing reg. section 1.707-5 are effective 90 days after publication, which "gives some time for transactions currently underway, but not a lot of time for the significance of the change," he said.

Sloan said he was disappointed the IRS issued the section 752 regs as temporary guidance even though the government adopted the New York State Bar's recommendation. The temporary rules "make all liabilities deallocated as nonrecourse for disguised sale purposes," he said, adding that "that's a pretty dramatic change in the law" and would be more appropriate as a proposed regulation.

Sloan said the proposed regs could have been made effective as of the date of publication and finalized quickly, which would have "achieved much of what they wanted to achieve without going directly to temporary [regs] and opening themselves up to criticism from taxpayers."

Sloan also dispelled the notion that the temporary regs make all liabilities nonrecourse for disguised sale purposes. "That's a bit of an overstatement," he said.

According to Sloan, "treating the liability as nonrecourse is just a fancy way of saying we disregard payment obligations of the person receiving the proceeds of the borrowing, we don't disregard all payment obligations." The rule treating all liabilities as nonrecourse for disguised sale purposes does not apply if another partner has economic risk of loss for the liability, he said.

Bottom Guarantees

The temporary regs will effectively prohibit bottom-dollar guarantees, but do provide exceptions for vertical slice guarantees and indemnification arrangements in which the full amount of the debt is guaranteed but the guarantor remains liable for at least 90 percent of its original obligation.

There are billions of bottom-dollar guarantees out there, Lipton said, adding that those who contributed property to a real estate investment trust as part of a deal involving operating partnership units used a bottom-dollar guarantee to freeze their capital account. The real concern is that SEC disclosures and financial reporting obligations could be triggered as a result of an immediately effective change in the rules, with nobody having an opportunity to try to address them, he said.

According to Lipton, the bottom-dollar guarantee guidance "appears to be contrary to the legislative history of section 752 and case law, and disregards many of the comments that the IRS received on the proposed regulations."

"The IRS's continuing war against bottom-dollar guarantees may have adverse economic and SEC reporting consequences, which could have been avoided if the IRS had heeded numerous recommendations that it repropose these rules rather than rush them out in a temporary format," Lipton said.

Sloan said the part of the temporary regs dealing with bottom-dollar guarantees is complicated and should have been reproposed.

Finkelstein said bottom-dollar guarantees are extensively used, particularly in the real estate area. "It is a big change in the theory of how you allocate liabilities; it was a pure mechanical test and with the factors added to the antiabuse rule, it's moved more into a likelihood-of-payment and ability-to-pay test," he said.

According to Finkelstein, the mechanical test made it easy for partnerships to determine the allocation of liabilities and did not require the analysis it now will. "It was sort of a very simple regime that I think most people thought worked very well," he said, adding that "this is a big change from that."

Determining Net Value

The IRS also intends to make changes to the net value rules in reg. section 1.752-2(b)(6). The proposed regs would withdraw the reg. section 1.752-2(k) rules, which provide that for purposes of determining the extent to which a partner bears the economic risk of loss for a partnership liability, a payment obligation of a disregarded business entity is taken into account only to the extent of the net value of the disregarded entity, as of the allocation date, that is allocated to the partnership liability.

According to the IRS, the 2014 proposed regs would have expanded the application of the net value rules, a proposal it said it received comments on. Agreeing with the concerns raised, the IRS has opted to remove reg. section 1.752-2(k) and expand on the antiabuse rule in reg. section 1.752-2(j).

Sloan said the IRS should abandon its proposal to withdraw reg. section 1.752-2(k), which is part of the liability allocation rules that address disregarded entities that are partners. The rule is complicated, "but it has been very effective, it is well understood by taxpayers, and I think that removing that is going to remove a level of certainty with disregarded entities," he said.

According to Sloan, reg. section 1.752-2(k) is a completely mechanical, substantive rule. Removing a rule that provides a level of certainty, without replacing it with something that provides the same certainty, is not advisable, he said.

Finkelstein raised concern about the reg. section 1.752-2(j) presumption the IRS is proposing, which provides that "evidence of a plan to circumvent or avoid an obligation is deemed to exist if the facts and circumstances indicate that there is not a reasonable expectation that the payment obligor will have the ability to make the required payments if the payment obligation becomes due and payable." This appears to require partnerships to "evaluate the ability to pay for any obligor, including an individual," he said.

According to Finkelstein, this is a broad rule that the IRS is putting in place of reg. section. 1.752-2(k) because it applies to any obligor, not just disregarded entities. "This

will require a partnership to make a more extensive evaluation of obligations entered into with respect to its liabilities," he said.

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BNA Daily Tax Report

October 5, 2016

Tax Evasion: Chiropractor Owes \$404 Million in Deficiencies, Penalties

By Matthew Beddingfield

A California chiropractor is liable for \$404 million in tax deficiencies and penalties for using different IDs and bank accounts to hide millions he earned from his private practice (*Reynoso v. Commissioner*, T.C., No. 8312-09, T.C. Memo. 2016-185, 10/4/16).

U.S. Tax Court Judge Mark V. Holmes ruled Oct. 4 that Ramon Reynoso, who didn't file any tax returns for 1997 through 2004, fraudulently used false taxpayer identification numbers and Social Security numbers to divert insurance payments to various bank accounts and trusts to avoid paying taxes. Holmes rejected Reynoso's attempt to offset his gross receipts with heavy stock-trading losses.

Reynoso was a qualified medical examiner for California from 1997 to 2004, and also bought and sold securities during those years.

False Identification.

Reynoso sent, Forms W-9, Request for Taxpayer Identification Number and Certification, with false SSNs and TINs to insurance companies, according to the opinion. After receiving proceeds from the insurance companies, he would deposit the money into checking accounts at various banks, or in family trusts, it said, and when opening bank accounts, would provide a false SSN.

"Dr. Reynoso kept no track of his business receipts or expenses. He had neither an accountant nor a bookkeeper," the opinion said.

The Internal Revenue Service opened a criminal investigation in 2003, and collected statements from Reynoso's banks, brokerages and mortgage companies, as well as trust documents, credit card statements and IRS forms.

"The evidence against him was damning, and in April 2008 Dr. Reynoso pleaded guilty to income tax evasion," Holmes said.

Failure to File.

The IRS issued Reynoso a deficiency notice after his criminal proceedings, finding him liable for \$404.4 million in tax deficiencies and penalties for the years at issue. Reynoso admitted during his Tax Court trial in San Francisco that he didn't file any returns for 1997 to 2004, arguing that his losses as a day trader exceeded his income and that he "believed that a return was not necessary."

The IRS countered that Reynoso couldn't offset his income with his stock-trading losses because he didn't correctly calculate his losses, and that tax code Section 1211(b) limits those losses to \$3,000 per year.

Reynoso initially argued at the Tax Court that he didn't provide any business records for the court because of their "vastness," but later amended his argument to say that the criminal investigators took his records and lost them.

Holmes ruled that the IRS's bank-deposits analysis accurately reflected Reynoso's gross receipts, and that Reynoso wasn't entitled to offset his income by more than the \$3,000 per year allowed by the tax code.

Uncooperative Defendant.

According to Holmes, Reynoso also couldn't take business deductions for expenses incurred during the years at issue because of his "utter lack of credibility, unwillingness to cooperate with the Commissioner, and lack of documentation."

Holmes said that Reynoso knew his legal duty to file the returns and pay the tax, but sought to avoid it.

The court found that the IRS had shown that Reynoso "failed to file his required returns with the intent to conceal, mislead, or otherwise prevent the collection of tax," and affirmed the penalties assessed by the IRS.

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Wassenaar Russell D

From: [REDACTED]
Sent: Friday, January 13, 2017 11:12 AM
To: *CI EMP; Koskinen John A; Dalrymple John M; Cronin Edward F (Ted) - CT; Dinh Nguyen; Evans Liz E; Glenn James E; Harr Stacey M; Imhoff John H Jr; 'jennifer.e.ihlo@usdoj.gov'; 'karen.e.kelly@usdoj.gov'; 'karen.mcafee@mail.house.gov'; 'katie.s.bagley@usdoj.gov'; Lemons Terry L; 'Lori.A.Hendrickson@usdoj.gov'; 'Mitchell.J.Ballweg@usdoj.gov'; Mulleneaux Natasha M; Paguni Rosemary E; Salad Bruce M; 'Shawn.T.Noud@usdoj.gov'; Southwell James E; 'Todd.A.Ellinwood@usdoj.gov'; Beyer James N - CT; Monica Christopher T - CT; Ineich Paul J - CT; Ramirez Victor A - CT; Taylor Brad - CT; 'Jason.H.Poole@usdoj.gov'; Lunger Richard - CT; Arora Vikas K; Hellerman George P; Eldridge Michelle L; 'Caroline.D.Ciraolo@usdoj.gov'; 'Larry.J.Wszalek@usdoj.gov'; Luthra Veena - CT; Brown Charlotte Anne; Burke Anthony; Stanish Paul S; Asper Damon C; Berg Alisa J; 'Melissa.E.Schraibman@usdoj.gov'; 'Tino.M.Lisella@usdoj.gov'; 'Elizabeth.C.Hadden@usdoj.gov'; 'Samuel.R.Lyons@usdoj.gov'; 'Caryn.Finley@usdoj.gov'; 'Gregory.E.Tortella@usdoj.gov'; 'Jorge.Almonte@usdoj.gov'; 'John.N.Kane@usdoj.gov'; 'stuart.m.goldberg@usdoj.gov'; Mathis Nancy; 'Stuart.A.Wexler@usdoj.gov'; 'Kim.I.better@usdoj.gov'; 'h.mark.horror@usdoj.gov'; 'melissa.s.siskind@usdoj.gov'; Larry.r.garland2@usdoj.gov; Erin.Lindgren@usdoj.gov; Butler Felecia A; Kody.Kinsley@treasury.gov; Stan.J.Okula@usdoj.gov; Felecia.M.Butler2@usdoj.gov; jonathan.m.deville@usdoj.gov; Moran, Jessica N. (TAX); Grant Dianne; Wielobob Kirsten B
Subject: Criminal Investigation Daily News – January 13, 2017

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FULL TEXT ARTICLES

1. Times Record

January 13, 2017

Money laundering scam gets Fort Smith man five years

A Fort Smith man was sentenced to five years in federal prison this week for mail fraud, wire fraud and money laundering committed March 2013 to November 2015.

Samuel Bowron Phillips, 41, of Fort Smith devised and carried out a scheme to defraud customers of his insurance business by withdrawing funds from their annuity and insurance policies without their knowledge or consent, according to court records

Phillips was ordered to pay approximately \$1.6 million in restitution to his victims. His prison time will be followed by three years of supervised release. Chief Judge P. K. Holmes III presided over the sentencing hearing in the U.S. District Court in Fort Smith. Assistant U.S. Attorney Kyra Jenner prosecuted the case for the United States.

Phillips used that money for his own personal benefit and gain, according to Kenneth Elser, U.S. Attorney for the Western District of Arkansas. An investigation began after a complaint was filed in October 2015 with the Arkansas Insurance Commission. Business owners and residents discovered annuities Phillips sold them were nonexistent. They also discovered statements that Phillips had given business owners were fabricated, and the money they had given Phillips to invest for their retirement was gone, Elser noted.

"Phillips admitted that he created two sham companies, Stevens Financial Asset Management and Paradigm Financial Partners LLC, and opened accounts for those entities," a U.S. Attorneys office news release states. "He used a fake name to conceal his connection to the fraudulent transactions and admitted he rented post office boxes in Fort Smith and Barling to receive mail for the two bogus companies he created to steal his customer's money. Phillips was indicted by a federal grand jury in March, 2016 and pleaded guilty in June 2016."

Tracey D. Montaño, Special Agent in Charge with IRS Criminal Investigation, explained that illegal activity involving the investment industry has brought "financial ruin to many Americans."

"Today's sentencing of Phillips reflects a fitting punishment for an individual who committed wire fraud, mail fraud and money laundering," L. Diane Upchurch, Special Agent in Charge of the FBI's Little Rock Field Office, added. "Phillips deceived and stole from his customers who trusted him and believed in him."

Upchurch noted their partners were the U.S. Attorney's Office for the Western District of Arkansas, the IRS, the Postal Inspection Service, the Arkansas Department of Insurance, and the Fayetteville Police Department."

This case was investigated by the FBI, the IRS Criminal Investigation Division, the Postal Inspection Service, the Arkansas Department of Insurance, and the Fayetteville Police Department.

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2. The Vindicator

January 13, 2017

Ex-Campbell mayor Krinos pleads guilty to securities fraud

CLEVELAND

A Boardman man and former public official pleaded guilty in federal court to defrauding more than 10 investors out of nearly \$1.2 million between 2011 and 2014 and to related tax-law violations.

In a case investigated by the FBI and the IRS, George N. Krinos pleaded guilty Thursday to the two counts in a criminal information charging him with engaging in securities fraud and willfully failing to collect and pay taxes for his employees.

In the 17-minute arraignment, he appeared before U.S. District Court Judge Dan Aaron Polster, who will sentence him at 1:30 p.m. May 30.

Krinos was Campbell's mayor from December 2009 to January 2011.

He signed a waiver of grand jury indictment and agreed to be charged in an information.

The 15-page information says Krinos, through Krinos Holdings, sold securities through false and deceptive practices to numerous victims in northern Ohio.

These securities consisted of debenture notes and private-placement memoranda that were not properly registered with the U.S. Securities and Exchange Commission.

Krinos, 39, sold the securities under the pretense that his investors' funds would be used for legitimate business purposes, including to provide venture capital to various client companies seeking funding from Krinos Holdings.

Krinos, instead, used the money for personal expenses and to engage in unauthorized foreign-currency transactions, the U.S. attorney said.

Krinos promised that initial investments of 10 cents per share would rise in value to as much as \$5 or \$6 per share.

Krinos also falsely told investors and others he managed about \$600 million in an investment account when he, in fact, had only \$5 in the account, the U.S. attorney said.

The information further says Krinos submitted falsified letters and statements to reflect high balances in his accounts.

Krinos also falsely told investors they were making high returns on their investments and that his relationships with the client companies were on good terms.

Contrary to his representations to his investors, Krinos actually used their funds for his personal use at restaurants, bars, casinos, adult-entertainment clubs and hotels, the U.S. attorney said.

Rather than disclose these personal expenses, Krinos later characterized them as "sales and marketing" costs in a budget given to his shareholders at a meeting in Boardman in 2013.

The information says Krinos improperly withheld taxes, including federal income taxes and Federal Insurance Contribution Act taxes from his employees, without paying those taxes over to the Internal Revenue Service.

Over about two years, Krinos improperly withheld and kept about \$91,495 of his employees' tax contributions from the IRS, the U.S. attorney said.

"This defendant lied to investors as means to fund a lavish lifestyle for himself," said Carole S. Rendon, U.S. attorney for the Northern District of Ohio.

"Krinos' victims not only include those who entrusted their financial assets to Mr. Krinos, but his employees and the taxpayers whose payroll taxes were squandered to further his personal gain," said Troy Stemen, acting special agent in charge of the Cincinnati IRS office.

Although the criminal information wasn't filed until Jan. 3, the Securities and Exchange Commission issued a statement about Krinos more than two years ago. That commission filed a document in October 2014 saying Krinos deceived investors and made unregistered stock sales through Krinos Holdings.

The document said Krinos spent more than \$50,600 of the money in 2012 and more than \$35,000 of it in 2013 at casinos and strip clubs.

Krinos Holdings was founded in 2012 to provide money to startup companies but never gave them any, and Krinos never told investors their money was being used for his personal expenses, the SEC report said.

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3. The Wrap

January 12, 2017

HBO Ex-Employee Sentenced to 30 Months in Prison for \$1 Million Theft

Jeremy Fuster

Former HBO talent relations manager Jennifer Choi was sentenced to 30 months in prison on Thursday for stealing nearly \$1 million from the subscription network during her six years of employment.

The sentence was handed down in federal court in downtown Los Angeles by U.S. District Judge John Kronstadt. Last January, Choi pleaded guilty to two counts of felony wire fraud and one count of tax evasion.

The judge also added a sentence of three years of supervised release, including six months of house arrest, which will follow Choi's prison term. Choi will also be required to pay just over \$1 million to HBO and approximately \$283K to the IRS as restitution.

"This defendant engaged in a sophisticated fraud scheme that resulted in the theft of approximately \$1 million from the victim company and nearly \$300,000 from American taxpayers," said United States Attorney Eileen M. Decker. "The criminal conduct in this case continued for years, and the pace of the theft accelerated over time. This was a crime motivated by greed and a desire to fund an extravagant lifestyle."

Choi, who joined HBO in 2004, worked as a scheduler who handled the hairstyling, wardrobe and make-up services for the company's actors. She was fired in September 2014.

According to the U.S. Department of Justice, Choi established a phony company called Shine Glossy, LLP, through which she submitted fraudulent invoices for styling services given to actors. However, court documents say, the services were not rendered and Choi pocketed the money that HBO paid. In all, Choi's approximately 300 bogus invoices netted her about \$940,000.

In addition, Choi admitted in her plea agreement last January that she pocketed another \$63,000 for car-service rides that she, her family and her friends took and then submitted to HBO for reimbursement.

Choi additionally admitted that, from 2010 to 2014, she either did not file federal income tax returns or filed returns that under-reported her income when she had, in fact, earned hundreds of thousands of dollars.

Choi will begin her sentence on March 14.

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4. The Arizona Daily Sun

Tucson, AZ

January 12, 2017

Tucson Man Sentenced to Prison in Mortgage Fraud Scheme

PHOENIX (AP) - A Tucson man has been sentenced to three years in prison in connection with a mortgage fraud scheme. Prosecutors say Dino Sisneros also must pay more than \$2.6 million in restitution. A judge ordered that 12 months and one day of the sentence be served consecutively to the 60-month prison sentence Sisneros currently is serving in a related real estate investment fraud scheme, with the other 24 months to be served concurrently. Sisneros pleaded guilty to conspiracy to commit wire fraud last April. In his plea agreement, Sisneros admitted to committing mortgage fraud relating to various real estate properties. As part of the conspiracy, material false statements were submitted on behalf of the loan applicants or straw buyers to the lenders. Prosecutors say many of the properties went into foreclosure.

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5. cjonline.com

January 12, 2017

Federal jury in Topeka convicts ex-Burlington bank teller of embezzlement of \$700K, other crimes

A federal jury in Topeka on Thursday convicted a former teller at a Burlington bank of embezzling about \$700,000.

U.S. Attorney for Kansas Tom Beall's office announced Denise Christy, 48, of Burlington, was convicted on one count of embezzlement, six counts of making false bank entries, six counts of filing false tax returns and six counts of money laundering.

During Christy's trial, a prosecutor presented evidence the crimes were committed between 2008 and 2013 while Christy worked as a retail financial services representative and backup vault teller for the Burlington branch of Central National Bank. One of her duties was to sell cash in the bank's vault to the Federal Reserve Bank.

In May 2014, Beall's office said, auditors found more than \$700,000 was missing from the vault. Christy claimed the money was shipped to the Federal Reserve Bank via the Garda security company, but an investigation showed she had falsified the bank's records to cover up the embezzlement.

Prosecutors said that on one occasion, Christy's cash-out ticket showed \$401,000 had left the bank when only \$104,000 actually had. Another time, the ticket showed about \$400,000 leaving the bank when none did. Each time, they said, Christy told investigators she had made an error.

"She wants people at Central National Bank to believe she's a moron. She wants you, frankly, to believe she's a moron," Assistant U.S. Attorney Rich Hathaway told the jury during closing arguments Wednesday. "But she's manipulative and cunning, as this evidence shows."

The U.S. Attorney's office said Christy unlawfully used more than \$77,000 of the embezzled funds to pay off loans she and her husband maintained at Farmers State Bank in Aliceville, about 15 miles east of Burlington. She also failed to report the embezzled money to the IRS as part of her income.

During Christy's trial, her defense attorney tried to cast doubt on the idea that one person could steal such a large amount over several years without being noticed.

Christy's sentencing is set for April 17. She could face a maximum of 30 years in federal prison and a fine of up to \$1 million on each count of embezzlement and making false bank entries; a maximum of 20 years in prison and fine up to \$50,000 on each count of money laundering; and a maximum of three years in prison and fine up to \$100,000 on each count of making false tax returns.

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6. Pioneer Press

St. Paul, MN

January 12, 2017

St. Paul woman gets prison time for stealing identities, filing false tax claims

A St. Paul woman will spend more than a year in prison for using stolen identities to file state and federal tax claims.

Ebony Shante Yarbrough, 28, was sentenced in federal court Thursday to two years in prison for aggravated identity theft, according to information provided by the U.S. Attorney's Office in Minnesota.

Yarbrough pleaded guilty to the charge this summer.

She admitted in court to convincing family and friends to allow her to file their income tax returns on their behalf as she would charge less than an outside tax service.

Yarbrough claimed fraudulent incomes and dependents on the returns, which ended up amounting to about \$500,000 in false state and federal claims, the attorney's office reported. Yarbrough stole personal information from minors to verify dependency claims.

She operated the scheme between 2013 and 2015.

Yarbrough was also ordered to pay nearly \$300,000 in restitution.

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7. The Record

January 10, 2017

Totowa doctor charged in lab bribery case

Todd South

A 52-year-old Totowa doctor is the latest of dozens of doctors and sales staff charged in connection with a long-running medical test referral bribery scheme for a now-defunct Parsippany laboratory that authorities have called perhaps the largest lab bribery prosecution in the nation.

Salvatore Conte, who practices in Passaic County, faces charges that he took bribes for four years totaling \$130,000 from sales staff of Biodiagnostic Laboratory Services, according to the U.S. Attorney's Office.

Conte's alleged illegal referrals netted the Morris County lab an estimated \$525,000 in business. He will have a first appearance in court at a later date, authorities said.

Lab employees made payments to doctors charged in the case either in cash or in sham lease, service or consulting fees to the doctors, which often ranged from \$1,500 to \$5,000 per month.

He is the fifth physician indicted in connection with the scheme. Forty-one others, 27 of them doctors, were not indicted but instead pleaded guilty to charges in the bribery scheme based on government information.

So far, 26 of those who pleaded guilty have been sentenced with terms ranging from house arrest to five years for Frank Santangelo, who practiced in Wayne and Montville.

On average the sentences have been about two years. Fifteen who have pleaded guilty still await sentencing, including lab President David Nicoll, of Mountain Lakes, his brother and senior employee Scott Nicoll, of Wayne and employee Craig Nordman, of Whippany. All three men pleaded guilty to fraud and bribery charges in 2013.

Authorities estimate that lab employees paid out more than \$4 million in bribes and collected \$100 million in payments from Medicare and private insurers during the scheme, which began as early as 2006 and lasted until 2013.

More than \$12 million has been recovered through forfeiture, authorities said.

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8. Philly Mag

January 12, 2017

A Former IRS Employee Is Going to Prison for Stealing Other People's Tax Refunds

One of her victims was homeless.

BY VICTOR FIORILLO

Ah, January. That time of year when we begin to think about filling out our tax returns — and also how much we all hate the Internal Revenue Service. Well, here's another reason to hate on the IRS: One of their employees was stealing other people's refunds.

Northeast Philadelphia resident Modestine "Cookie" Gillette, 48, worked for the IRS seasonally from 2008 until 2012. As part of her job, she would help citizens and businesses who had questions about the IRS's ridiculously complicated tax code.

Using her position with the agency, Gillette managed to divert the refunds for some of the people she assisted into her own bank account. In six separate instances, she took a total of \$12,869 in refund money.

And to increase the amount of the refunds, she fudged the tax returns. For example, Gillette claimed a refund of \$5,036 for one individual who was owed only \$630. She also claimed a refund of \$2,975 for a homeless person who had no income. In only one of the examples cited by the Department of Justice did the claimant see any of their refund: They got \$600, while Gillette got \$4,436.

Prosecutors say that the victims had no knowledge that Gillette was falsifying their tax returns or taking their money.

As a bonus, Gillette also claimed unemployment benefits for herself during the periods when she was not employed by the IRS. Trouble is, she was earning income from a daycare business that she was operating. All told, she fraudulently received \$46,322 in unemployment.

But that's not all.

Gillette also filed false tax returns for herself, failing to report more than \$35,000 in income from the daycare business or the money she made by stealing others' tax returns, although we guess she'd be kind of crazy to report that.

Gillette pleaded guilty in November and was sentenced on Thursday to 12 months and a day in prison for defrauding the IRS.

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Casper Star Tribune

January 11, 2017

Feds say Casper doctor accused of illegal painkiller sales violated bond by contacting patients

Elise Schmelzer

A federal judge issued arrest warrants Wednesday for a Casper doctor and his wife charged with illegally selling prescription painkillers after the couple allegedly violated conditions of their bond by contacting former patients, who are potential witnesses in the case.

U.S. District Court of Wyoming Judge Scott W. Skavdahl issued warrants for the arrest of Shakeel and Lyn Kahn on Wednesday. A federal prosecutor notified the court Tuesday that the Kahns had violated the conditions of the bond by allegedly contacting at least three former patients.

During a Jan. 5 interview with agents from the U.S. Drug Enforcement Administration and the Wyoming Division of Criminal Investigation, a former patient living in Washington state said Shakeel Kahn had contacted him multiple times since being released on bond on Dec. 2. The patient told the agents that the doctor said "he had done nothing wrong and that everything would be OK," according to court documents. Kahn also asked the patient if he had been contacted by law enforcement.

The patient additionally told investigators that Kahn had called his brother, who is also a former patient. Agents interviewed the brother, who lives in Portland, Oregon, the same day.

The brother told investigators that Shakeel Kahn had called him on Jan. 4 and asked him to return to Casper to sign a receipt for \$3,000 the man had sent the doctor. During the 23-minute phone conversation, Kahn said he wanted the man to sign the receipt and say it was payment for medical services, the court documents claim. Investigators requested Shakeel Kahn's phone records from AT&T. The records showed that Kahn called the two brothers three separate times. The length of the conversations totaled about 46 minutes.

The doctor's wife, Lyn Kahn, also contacted potential witnesses, court records allege.

One of the doctor's former patients who lives in Arizona contacted investigators on Dec. 6 and said Lyn Kahn had called her three days before — the day after she had been released on bail.

The woman said Lyn Kahn warned her that her phone was tapped and that the patient should contact her via her home phone, according to court documents. The woman also said Lyn Kahn had texted her multiple times. She gave the investigator screenshots of the messages.

The Kahns were released Dec. 2 in lieu of \$20,000 bond and the title to their home in Fort Mojave, Arizona. One of the conditions of their release was that they couldn't "have any contact, directly or indirectly, with any potential witnesses in this matter," court documents show. The language in Shakeel Kahn's bond condition specifies that he may not contact any current or former patients.

An official at the Natrona County Detention Center said Wednesday evening that neither of the Kahns was currently at the facility. An email and phone call to the couple's lawyer were not immediately returned.

Arrest

Federal agents and Casper police arrested the Kahns on Nov. 30 in their home on Thorndike Avenue after a months-long investigation into their business. Prosecutors allege that the couple regularly sold 30-day prescriptions of the painkiller Oxycodone for \$500 to customers across the country. At least two of his patients have been arrested for selling prescription painkillers on the street.

The Phoenix-based DEA agents began investigating the couple in March 2014 after people filed complaints that Kahn was prescribing high quantities of painkillers for people with no legitimate medical need. The Arizona Medical Board suspended his medical license on Aug. 5, court documents show.

DEA agents in Wyoming began investigating Kahn in April after the Wyoming Board of Pharmacy sent a complaint that said Kahn was prescribing large amounts of controlled substances.

According to court records, the doctor issued 632 Oxycodone prescriptions in 2015 — about half of all of the prescriptions he wrote that year. That number is a drop, however, from the 2,050 Oxycodone prescriptions he wrote in 2012 and the 1,585 such prescriptions he wrote in 2013.

Kahn required patients to sign a document that says "Dr. Shakeel A. Kahn is not now and has never been a 'drug dealer,'" according to court documents. The document also says that patients who sign it would have to pay the doctor \$100,000 if he were ever investigated or charged with a crime because of something the patient did or said.

Investigators recorded phone conversations between the Kahns and their customers, according to court documents.

The Kahn's Casper properties include their Thorndike Avenue home, a medical office on South Fenway Street and a store called "Vape World of Casper" on 12th Street. The couple also owned two homes and a medical office in Fort Mohave, Arizona. Between May 2012 and August 2016, the couple deposited more than \$1.5 million in cash into their bank accounts.

The couple could face a maximum of 20 years in prison and a \$1 million fine if convicted.

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10. Philly.com

January 13, 2017

Request denied, Fattah one step closer to a prison cell

by Jeremy Roebuck

Former U.S. Rep. Chaka Fattah's chances of staving off his decade-long prison sentence dimmed Thursday as a federal appellate court denied his bid to stay free while he appeals his conviction on corruption-related charges.

The U.S. Court of Appeals for the Third Circuit denied Fattah's request, along with similar pleas from two of his codefendants, with a terse, one-page order that offered no explanation for its decision.

"We are disappointed in the court's ruling," said Mark Lee, one of the former congressman's lawyers. It was not immediately clear whether he would attempt to appeal the decision.

Fattah, a West Philadelphia Democrat who served nearly two decades in Congress, is set to begin serving his sentence Jan. 25.

But since receiving the second-longest prison term ever imposed on a member of Congress last month, Fattah and his supporters have turned to any means available to secure a reprieve - including lobbying the White House for a presidential pardon.

Minutes after Thursday's ruling, FattahCase.com, a website that claims it is run by former Fattah staffers, released a Jan. 1 letter signed by Therman Evans, a New Jersey pastor, and Lanny Davis, a Washington consultant, hired spokesman, and former counsel to former President Bill Clinton.

The men urged President Obama to absolve Fattah, citing what they described as "undisputed" misconduct by Justice Department investigators and U.S. District Judge Harvey Bartle III, who presided over Fattah's trial last year.

Many of the issues raised in the letter have been vigorously challenged by prosecutors and rejected in Bartle's earlier rulings. They echoed some of the claims Fattah's legal team raised in the bid that the Third Circuit denied Thursday.

"We have known him for 30 years, and know firsthand his unmatched contributions to improving the life chances of tens of millions of Americans," Evans and Davis wrote. "Considering his record of service and the recognized irregularities in

the process for this case, I ask that you consider assisting Mr. Fattah, his family and those charged with him in finding relief through presidential action."

Fattah, 60, had argued that his sentence should be delayed because of his likelihood of success in appealing his conviction on charges including racketeering, bribery, money laundering, and fraud.

In their legal briefs, his lawyers argued that Bartle had improperly removed a holdout juror from the panel after deliberations had already begun.

The former juror, a Lancaster County man, has said he was not convinced by the evidence, and would have acquitted Fattah and his codefendants. But other members of the panel told the judge that the man was ignoring the evidence, refusing to deliberate, and appeared to have a bias against the government.

A court clerk also testified that the man had vowed in front of her to hang the jury "no matter what."

Fattah also argued that his bribery convictions could be overturned under a U.S. Supreme Court decision issued days after the jury's verdict in his case.

The ruling - in the case of former Virginia Gov. Robert McDonnell - narrowed the legal definition of bribery. Though Bartle, in his own ruling last month, concluded that Fattah's conduct on behalf of a wealthy fund-raiser who bribed him in pursuit of a White House appointment met even the new standard set by the high court's decision.

What's more, the judge wrote, Fattah's conviction for unrelated crimes involving his misuse of taxpayer money, federal grant funds, and charitable donations to pay off his personal and political debts all ensured that the former congressman would still face a substantial prison term should his bribery conviction be overturned.

Both issues are likely to resurface when Fattah and his codefendants file their full appeals brief before the court later this year.

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Wassenaar Russell D

From: [REDACTED] (b)(6)
Sent: Friday, January 16, 2015 11:04 AM
To: *CI Senior Leadership Team; *CI-HQ-INTERNATIONAL EAST Attaches; *CI-HQ-INTERNATIONAL WEST Attaches; *CI-HQ-PIO; *CI-WEST ASAC; *CI-NAA ASAC; *CI-PA ASAC; *CI-NORTH ASAC; *CI-SEA-ATL ASAC; *CI-SEA-CHA ASAC; *CI-SEA-MIA ASAC; *CI-SEA-NEW ASAC; *CI-SEA-TAM ASAC; *CI-SEA-WDC ASAC; *CI-HQ-Refund Crimes FO&P West RACs; *CI-HQ-Refund Crimes FO&P East RACs; Koskinen John A; Dalrymple John M; Sherry Margaret Ann; Cimino Ronald A; Cronin Edward F (Ted) - CT; Dinh Nguyen; Evans Liz E; Frank.P.Cihlar@usdoj.gov; Glenn James E; Harr Stacey M; Imhoff John H Jr; jennifer.e.ihlo@usdoj.gov; Johnson Robert; karen.e.kelly@usdoj.gov; karen.mcafee@mail.house.gov; katie.s.bagley@usdoj.gov; Lemons Terry L; Lori.A.Hendrickson@usdoj.gov; Mitchell.J.Ballweg@usdoj.gov; Mulleneaux Natasha M; Paguni Rosemary E; Pearson Yolanda; Salad Bruce M; Shawn.T.Noud@usdoj.gov; Southwell James E; Todd.A.Ellinwood@usdoj.gov; Hall Carilyn M; Bednarz Linda S - CT; Beyer James N - CT; Monica Christopher T - CT; Ineich Paul J - CT; Ramirez Victor A - CT; Rappazzo Richard A - CT; Taylor Brad - CT; Pietrofeso Richard J - CT; Philcox Crystal; Jason.H.Poole@usdoj.gov; Lunger Richard - CT; Arora Vikas K
Subject: IRS Criminal Investigation Daily News - Jan. 16, 2015

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FULL TEXT ARTICLES

1. Former U.S. Border Patrol Agent 2 Years in Prison

Arizona Daily Independent; Tucson, AZ; January 16, 2015

Thursday, former U.S. Border Patrol Agent Raimundo Borjas, 41, of Douglas, Ariz., was sentenced to two years in prison by U.S. District Court Judge Jennifer G. Zipps, for conspiracy to commit money laundering. Judge Zipps also entered an order forfeiting \$28,100 of the funds Borjas attempted to launder and entered a money judgment against Borjas for an additional \$9,720, which represented Borjas's profit from the offense. Borjas pleaded guilty on Aug. 1, 2014.

On Feb. 24, 2010, Borjas opened a personal checking account at Southeastern Arizona Federal Credit Union in Douglas, Ariz. Borjas deposited into the account cash that was dirty, frayed, and had holes in it ("mutilated cash"), totaling \$61,600.

Borjas received the \$61,600 in mutilated cash, which he believed was drug proceeds, from "Rigo." Borjas and Rigo agreed that Borjas would deposit the mutilated cash, withdraw useable cash in the same amount, and delivered it back to Rigo. For his participation in this scheme, Borjas received 30% of the money he laundered.

During this period, Borjas withdrew \$32,400 of the money in useable, clean bills and returned it to Rigo, receiving \$9,720 as payment. Borjas was unable to withdraw the remaining \$28,100 because the United States seized those funds.

The investigation in this case was conducted by the Cochise Border Corruption Task Force, which consists of agents from the Federal Bureau of Investigation, U.S. Department of Homeland Security Office of Inspector General, Customs and Border Protection Internal Affairs, and Internal Revenue Service Criminal Investigation, with assistance from the U.S. Department of Homeland Security Immigration and Customs Enforcement and the Douglas Police Department.

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2. 6 years for multimillion-dollar fraud, involved Miami Heat

The Bradford Era; Jan. 15, 2015

COLUMBUS, Ohio (AP) — A federal judge handed down a six-year prison sentence Thursday to a man who portrayed himself as a member of a wealthy Pakistani family while running a multimillion-dollar investment scam involving three former Miami Heat players and the team itself.

Judge Edmund Sargus also ordered Haider Zafar to pay \$15.7 million in restitution to his victims and three years supervision after his release.

Zafar, 36, a legal U.S. resident, could face deportation to his native Pakistan after leaving prison.

Zafar defrauded players Mike Miller, James Jones and Rashard Lewis in 2013 by promising to invest millions of dollars in various business opportunities, according to the government. He also received a \$1 million, three-season Heat ticket package he never paid for, the government said.

Zafar pleaded guilty last year in federal court in Columbus to five wire fraud charges that each carry maximum 20-year prison sentences. That case was consolidated with another against Zafar, in which the defendant previously pleaded guilty to swindling a Washington, D.C., businessman out of \$10 million between 2008 and 2010.

Zafar apologized for his actions and attempted to defend some of what happened involving the Washington businessman.

After the hearing, Andrew Fine, a lawyer representing the businessman and the former Heat players, called the sentence "absurdly low." He had argued for a longer sentence in a Tuesday letter sent to Sargus.

Zafar was an "inveterate" criminal who thumbed his nose at the government even when he was under investigation, Fine wrote.

"Despite knowledge that his fraud had been discovered in one jurisdiction, he continued to perpetuate a similar fraud in another jurisdiction," the letter said.

Zafar's attorney Sam Shamansky argued for a sentence closer to four years, saying Zafar had overcome tremendous personal obstacles — including being left penniless by family members — when he emigrated to the U.S. as a young man. He also said Zafar had struggled with addictions to painkillers after an accident.

Nevertheless, Zafar overcame such struggles and has "done well for himself, but for these two unfortunate incidents," Shamansky said. He also noted that Zafar had ample opportunity to flee the country during the investigation but chose to stay and face the consequences.

Zafar got his hand caught in the till after preying on wealthy people, Tracey Warren, special agent in charge for the IRS criminal division in Cincinnati, said after the hearing.

Of his restitution, \$2 million is payable to the IRS. Zafar did not file tax returns from 2008 through 2010, the government said.

Testimony by an FBI agent portrayed Zafar as a man who talked big as he persuaded the Heat players to give him millions of dollars for investments that never materialized.

Zafar boasted of \$35 million in a Swiss bank account and luxury residences in New York City and Miami and was often seen being chauffeured in a yellow Ferrari, a white Bentley and a black Escalade, FBI agent David Fine testified last year.

Zafar persuaded the Miami Heat's vice president of sales to sell him a premium three-season ticket package for \$1 million after explaining about his "family history and influence," including ownership of hotels, companies and other business ventures, Fine said.

Zafar convinced Miller to give him \$2.6 million, Lewis to give him \$4 million and Jones to give him \$1.5 million, all for an investment opportunity that Zafar said would "quickly obtain a significant return." But rather than reimburse the Miami Heat or three individuals, Zafar used the money "for his personal use and benefit," Fine said.

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3. Toledo trio indicted for forging will, stealing from \$2.2M estate
by Amulya Raghuveer

NBC Channel 24; Toledo, Ohio; Jan. 15, 2015

TOLEDO, Ohio -- Three Toledo residents have been arrested for their part in cheating their way to gain control of a more than \$2.2 million estate.

Susan Pioch, 58; Margaret McKnight, 40; and Kurt Mallory, 51, each face one count of conspiracy to commit bank fraud and mail fraud, 21 counts of bank fraud, seven counts of mail fraud, one count of aggravated identity theft, and additional counts of money laundering.

Federal investigators allege the trio conspired to forge a will to fraudulently gain control of the \$2.2 million estate of Martin E. Fewlas.

"This group lied, cheated and stole millions of dollars that had been amassed over a lifetime," said Steven M. Dettelbach, United States Attorney for the Northern District of Ohio.

McKnight faces additional counts of structuring cash withdrawals, three tax counts, and seven counts of causing a financial institution to fail to file a required report.

According to a federal indictment, Fewlas executed a will in 1993 which devised his entire estate to family.

After he died in 2010, Mallory and McKnight, the upstairs tenants of his 2557 Broadway Street duplex, forged a new will in Fewlas' name. That will was drafted and filed by Pioch with the Lucas County Probate Court.

Fewlas lived in the lower level of his Broadway Street duplex for about 10 years. He died in August of 2010.

McKnight was named executor of the estate and the trio succeeded in obtaining court authority to take possession of Fewlas' assets. Among the items purchased with the fraudulently-obtained assets were a used car dealership, Discovery motorhome, classic 1972 Chevrolet El Camino, Kia Soul, and property. More than half a million dollars in cash was also withdrawn.

Fewlas' family, who were to receive all of his estate, received nothing, according to the indictment.

"When you knowingly mix deceit and trickery into the financial well-being of individuals, you create a recipe for devastation that could last a lifetime," said Kathy A. Enstrom, Special Agent in Charge, IRS Criminal Investigation, Cincinnati Field Office.

Pioch, Mallory, and McKnight are expected to face trial. The case is being prosecuted by Assistant U.S. Attorneys Gene Crawford and James V. Moroney following an investigation by the Internal Revenue Service - Criminal Investigations and the Toledo Police Department.

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4. Ex-Stillwater Mayor Ken Harycki: 'I did that, your honor. I am guilty'

By Mary Divine

Pioneer Press; St. Paul, Minn.; Jan. 15, 2015

Former Stillwater Mayor Ken Harycki could face a prison term of more than three years under the terms of a plea agreement signed Thursday in U.S. District Court.

During a brief court appearance, Harycki, 51, pleaded guilty to conspiracy to defraud the United States.

Harycki, the owner of Customized Payroll Solutions in Stillwater, could be sentenced to 37 to 46 months in prison, a \$3,000 to \$30,000 fine, and up to three years of supervised release, U.S. District Court Judge Ann Montgomery told him.

When Montgomery read through a long list of accusations against Harycki and asked how he pleaded, he responded: "I did that, your honor. I am guilty."

A sentencing date has not been set.

Neither Harycki nor his attorney, Joe Friedberg, spoke to reporters after the hearing. Harycki's wife, Mary, accompanied him to court.

There were moments of levity in the proceedings.

"There is never a good day to come to federal court ..." Montgomery began saying at one point.

"I would agree," Harycki interjected.

Later, when Montgomery asked if anyone was forcing or threatening Harycki to plead guilty, he responded: "Absolutely not."

Harycki was charged Dec. 17 with defrauding the federal government of millions of dollars in his work for twin brothers Thurlee Belfrey and Roylee Belfrey of St. Paul, who ran several health care businesses.

According to the plea agreement, Harycki agreed that the "tax loss from all relevant conduct, including conduct committed by him with respect to his own tax liability, is between \$1 million and \$2.5 million."

Thurlee and Roylee Belfrey, both 48, of St. Paul, were arrested Dec. 16 and charged in U.S. District Court in St. Paul with health care fraud and conspiracy to defraud the United States.

The brothers are accused of using money from state and federal health care programs to finance a lavish lifestyle and pay for airline tickets, Caribbean cruises, hotel rooms in Las Vegas and Miami, restaurant meals and a \$2,000 shopping spree at Louis Vuitton.

Their jury trial is set for Feb. 17.

If Harycki provides "substantial assistance to law enforcement" in the case against the Belfreys, "the United States will move the court for a downward departure at the time of sentencing," according to the plea agreement.

"No such motion will be made unless the defendant is completely truthful," the agreement states.

After being elected mayor in 2006 and re-elected in 2010, Harycki announced in May 2014 -- two months after federal investigators seized documents from his office -- that he would not seek re-election. In November, he resigned abruptly, saying he wanted time to focus on personal issues.

Harycki began providing bookkeeping, payroll and accounting services, including tax-related services, to the Belfreys in 2007.

Within the first few payroll cycles for the company Model Health Care, Harycki "concluded that while payroll taxes were being withheld from the wages of employees, those taxes were not being paid over to the government," according to his guilty plea.

Harycki learned that the Belfreys had directed that the withheld taxes "instead be used for other purposes, including providing compensation to the co-conspirators and their family members and to fund other businesses operated by the co-conspirators," the plea agreement states.

Harycki formed MKH Holdings to assume control of bank accounts for the Belfrey's businesses, according to a document filed against Harycki in federal court.

He also incorporated other businesses, obtained employer-identification numbers, and opened and used several bank accounts so the Belfreys could avoid paying taxes, the U.S. attorney's office said.

A search warrant also said Harycki underreported income for MKH Holdings by \$3 million in 2010 and 2011.

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5. Disbarred Marblehead lawyer John McBride admits to fraud charges

By Julie Manganis

Salem News; Jan. 15, 2015

MARBLEHEAD — For decades, Marblehead attorney John McBride strode through the courthouses of Massachusetts and New Hampshire, one of the most prominent criminal defense attorneys in the state.

But on Wednesday, standing next to a public defender, McBride, 65, became a felon, after pleading guilty to charges of tax and bank fraud during a hearing in U.S. District Court in Boston.

It was McBride's efforts to hold onto his homes in Marblehead and Edgartown after he was disbarred over a series of ethical violations that apparently led to the charges that he forged and filed phony documents

purporting to release federal tax liens and a mortgage discharge.

In early 2008, there were numerous federal tax liens on his Rolleston Road home, prosecutors say. He attempted to obtain a \$288,000 loan using the property as collateral, but with six tax liens against the waterfront home, he couldn't, until he prepared phony "releases" and forged signatures of IRS officials on them, then filed them at the South Essex Registry of Deeds.

That same year, he tried to file phony releases of liens on his property in Edgartown, on Martha's Vineyard, but was unsuccessful.

Then, in 2011, prosecutors say he tried to obtain a \$387,000 reverse mortgage on the Vineyard home, failing to mention that he was still in bankruptcy at the time. He also still owed more than \$700,000 on that home, which he tried to hide by filing a forged document purporting to be from a mortgage company saying that the mortgage had been discharged.

The scheme was discovered before any money was released to McBride, who was also in trouble on Martha's Vineyard at the time for practicing law without a license.

McBride pleaded guilty Wednesday without a plea agreement in place. The case had been set to go to trial this month when he and his court-appointed lawyer, Charles McGinty, notified the court late last year that they wanted to plead guilty instead of going to trial.

It will be up to Judge Patti B. Saris to determine McBride's sentence, which could be up to 30 years in prison for bank fraud and up to three years for impeding the administration of IRS laws.

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6. Former Ridgewood Residents Indicted in Health Care Fraud Scheme

By Natalie Mieleles

Ridgewood-Glen Rock Patch; Jan. 15, 2015

A five-count indictment was filed charging seven Florida residents, including two formerly of Ridgewood, and a Florida company for their roles in a multi-million dollar health-care fraud conspiracy involving an experimental form of chiropractic manipulation, law enforcement officials said.

Former Ridgewood residents Christopher Liva, 36, and Edward Liva, 64, were indicted along with Carolyn Via, 51, a former resident of Saddle River and Edward Liva's wife; Mark Fritz of Coral Springs, FL.; John Nickels, 60, of Highland Heights; John Fortuna, 41, of Avon; and Antony Simone, 40, of Cleveland, according to an FBI release. Physicians Surgical Group (PSG), a medical billing company headquartered Boca Raton, FL, was also indicted.

The Livas, Fritz, Nickels, Fortuna, Simone and the company are charged with one count each of conspiracy, wire fraud and health care fraud and one count of money laundering, while Ed Liva, Chris Liva and Via face an additional count of money laundering after Steven M. Dettelbach, U.S. Attorney for the Northern District of Ohio says they "bilked insurance companies through a series of false claims and diagnoses to get money, diamonds and expensive homes."

According to court documents, PSG was owned by Boca Raton residents Christopher Liva, Edward Liva and Carolyn Via, who, along with four others not named in the indictment, also owned Shaker Heights Surgical Center. Fritz was the chief financial officer at PSG, Fortuna and Simone were licensed chiropractors and Nickels was a medical doctor and anesthesiologist, according to court documents.

The defendants allegedly deceived various private insurance companies to pay millions of dollars on behalf of patients who underwent an experimental form of manipulation under anesthesia at Shaker Heights Surgical Center, which is an aggressive form of therapy with serious risks typically reserved for patients who had failed with conservative chiropractic care.

Because of the pain involved, patients were put under conscious sedation and it was recognized as a surgical procedure and was performed at an outpatient surgical facility and typically generated three types of insurance claims—for professional fees, facility fees and fees for anesthesia services, according to the indictment.

"This clinic was established not to help the sick and injured, but for the purpose of stealing insurance money," said Stephen D. Anthony, Special Agent in Charge of the Federal Bureau of Investigation's Cleveland office.

"The individuals charged provided patients with a false diagnosis and submitted inflated claims to insurance companies—all in an effort to line their own pockets. The FBI, along with our federal, state, local and private industry partners, is committed to prosecuting these health care fraud schemes."

Beginning in 2008, Chris Liva and others began marketing Shaker Heights Surgical Center and the manipulation under anesthesia procedure to chiropractors in Ohio, where in return for referring patients to Shaker Heights Surgical Center for the procedure, chiropractors were paid a flat fee of \$4,000 per patient referred for a three-day session of procedures.

The defendants allegedly disregarded diagnoses, used false diagnoses, submitted false billing claims, represented that procedures were performed by osteopathic and medical doctors, when in reality they were performed by osteopathic doctors and chiropractors, waived patients' required co-payments and deductibles, and took other steps as part of the criminal conspiracy between 2007 and 2010, according to the indictment.

"These defendants went to great lengths to try and hide their ill-gotten cash," said Kathy Enstrom, Special Agent in Charge, Internal Revenue Service, Cincinnati Field Office. "The IRS will continue to follow the money trail in criminal conspiracies."

Prosecutors are also seeking to seize property derived from the criminal conspiracy, including two properties in Boca Raton, a Royal Oak Offshore Chronograph watch and 4.18-karat diamond stud earrings, as well as money, according to the indictment.

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7. Columbus Woman Indicted In Alleged Tax Refund Scam

NBC Channel 4; Jan. 15, 2015

COLUMBUS, Ohio - A Columbus woman was indicted Thursday for allegedly filing false income tax returns with the IRS.

Karen McLean, 50, of Columbus, is charged with 28 counts of defrauding the Internal Revenue Service (IRS) by willfully filing false claims for income tax refunds.

According to the indictment, McLean allegedly filed false income tax returns with the IRS for herself and other individuals claiming income tax refunds with the IRS which she knew were false. McLean and the individuals for whom she filed the false income tax returns for were not entitled to receive the corresponding income tax refunds.

The total tax loss alleged in the indictment is approximately \$164,209.

Filing false claims with for income tax refunds with the IRS carries a maximum penalty of 5 years in prison and a fine of up to \$250,000.

Carter M. Stewart, United States Attorney for the Southern District of Ohio and Kathy A. Enstrom, Special Agent in Charge, Internal Revenue Service Criminal Investigation, Cincinnati Field Office announced the indictment.

This case is being prosecuted by Assistant United States Attorney Jessica Kim and was investigated by special agents of IRS-Criminal Investigation.

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8. Man Charged in Mortgage Scheme

False Purchase Prices Allegedly Were Given to Lenders

The Blade Jan. 15, 2015

A Wood County man has been charged in U.S. District Court with conspiracy to commit bank fraud and filing false tax returns.

Nicholas W. Bradley, 34, of Haskins was accused in a bill of information with devising a scheme to obtain home mortgage loans for residential rental properties he purchased in Toledo by representing false purchase prices to lenders between 2006 and 2008.

"The true purchase price was represented by an 'addendum' to the real estate purchase contract lowering the sales price to the mortgage lender," the information states. "The 'addendums' were signed near the time of closing and were concealed from the lenders," who then approved loans for as much as 135 percent of the home's value.

The "addendum" loans were made by Fremont Investment & Loan, Wells Fargo, Huntington Bank, Ohio Savings Bank, Bank of America, J.P. Morgan Chase, N.A., IndyMac Bank, National City Bank, Flagstar Bank, Fifth Third Bank, Old Fort Banking Co., and First Franklin, court documents state.

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9. Williamsville dentist indicted in alleged federal tax fraud

The Buffalo News; Jan. 15, 2015

Charles Weber, 59, a Williamsville dentist, was indicted by a federal grand jury Thursday for making and subscribing to false tax returns for the years 2006 and 2007.

Assistant U.S. Attorney MaryEllen Kresse said Weber, who lives in Snyder, falsely claimed in April 2009 that during the tax years 2006 and 2007 he was not a U.S. citizen and was not in the United States in either of those years. He is also accused of falsely claiming that his only taxable income in 2006 and 2007 came from dividends, failing to disclose that he had a dental practice in both those years and received reportable income, the prosecutor said.

He also signed tax returns for those years under penalties of perjury, Kresse added. If convicted he faces a federal prison term of up to three years and a fine of up to \$250,000, she added.

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10. State of Connecticut employee pleads guilty to tax evasion

The Register Citizen; Jan. 15, 2015

HARTFORD - A New Haven man employed by the state Department of Mental Health and Addiction Services pleaded guilty Thursday to one count of tax evasion, according to a press release from U.S. Attorney for the District of Connecticut Deirdre M. Daly.

Michael Carter, 51, worked as a nurse at the Connecticut Valley Hospital in Middletown since 2005.

According to court documents, Carter filed a false W-4 form with the state indicating he had 99 exemptions and was exempt from tax withholding. During the 2010 through 2012 tax years, Carter paid no federal income taxes on more than \$282,000 in income he received, resulting in a federal tax loss of \$53,344, the release states.

U.S. District Judge Alvin W. Thompson scheduled Carter's sentencing for April 14. He faces a maximum of five years in prison and a fine of up to \$100,000. He also is required to pay back taxes, plus interest and penalties.

Carter was charged by indictment April 9, 2014, and is released on bond.

This matter stems from an Internal Revenue Service investigation into high-income state employees who had little or no federal withholding taken out of their paychecks and who failed to file income tax returns, the release states.

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11. \$2M fine for West Town scrap metal company for tax violations

By LeeAnn Shelton

Chicago Sun Times; Jan. 15, 2015

Tri State Metal, a West Town scrap metal company that admitted to federal tax and currency transaction charges, was ordered Thursday to pay a \$2.1 million fine.

Tri State was charged with one count of obstructing and endeavoring to obstruct and impede the IRS, and one count of structuring cash transactions less than \$10,000, according to the U.S. Attorney's office.

The company at 1745 W. Fulton St. pleaded guilty and was sentenced Thursday in federal court to pay the maximum fine of more than \$2.1 million, federal prosecutors said in a statement.

Tri State will also pay more than \$580,000 in restitution to the IRS, and will forfeit more than \$1.9 million, the statement said.

The charges were the first resulting from an ongoing investigation by the IRS into cash transactions in the local scrap metal industry.

Prosecutors claimed that between September 2008 and September 2012, the company cashed more than \$6.41 million in checks drawn on its bank account and payable to fictitious people, prosecutors said. The company then used the cash to pay vendors and employee wages.

The company also provided cash for the personal benefit of its deceased owner and president, who is not named in the charges.

The transactions were intended to help the company understate income on federal tax returns, according to the feds.

Additionally, the company filed false federal corporate income tax returns for 2009, 2010, and 2011 that understated gross sales by more than \$2.92 million, according to the statement.

It also failed to report about \$840,720 in cash spending for the benefit of the deceased owner, according to the statement.

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12. Florida prison guard stole identities of inmates to swipe \$110K

Harold Bush Walbey III was found guilty of targeting inmates at John E. Goode Pre-Trial Detention Facility in Jacksonville, Fla., and using their identities to open prepaid debit cards.

BY Lee Moran

Daily News; Jan. 15, 2015

A veteran Florida prison guard has been found guilty of stealing the identities of inmates and then filing false tax returns in their names to illegally rake in \$110,000.

Harold Bush Walbey III carried out the sophisticated scam while working at John E. Goode Pre-Trial Detention Facility in Jacksonville, reports The Florida Times-Union.

The 46-year-old, who'd been a Jacksonville Sheriff's Office corrections officer for two decades, committed the fraud for two years between 2010 and 2012.

He used the Social Security numbers of more than 50 prisoners to open prepaid debit cards.

Walbey then used those cards to withdraw money from false tax returns, which he used himself.

In total, he requested \$257,000 — but ended up with less than half that amount, reports WESH.

Walbey was released on bail following his court appearance and guilty plea on Wednesday.

U.S. District Judge Timothy Corrigan is set to sentence him in March. He faces up to 55 years in prison and a \$2 million.

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13. Couple indicted in Accupay investigation

Defendants accused of taking money from small businesses

WBAL Channel 11; Baltimore, Md.; Jan. 15, 2015

BALTIMORE —A federal grand jury has indicted a couple for allegedly using their Bel Air-based company to try to steal millions of dollars.

Beverly and Kevin Carden are facing multiple charges that include mail and wire fraud, money laundering and filing false tax returns. If convicted, they could face decades in prison.

The Cardens allegedly used their payroll-services company, Accupay, to take money from dozens of small businesses but never paid their full tax bills.

The federal indictment is requesting the Cardens give back at least \$2.5 million allegedly taken in that scheme.

The Cardens now live in Florida. They are expected to make initial court appearances Thursday and Friday.

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14. Head of the Gulf Cartel Pleads Guilty to Federal Drug Trafficking Charges

KETK NBC; Tyler, Texas; January 15, 2015

Beaumont, Texas — U.S. Attorney John M. Bales announced today that the current head of the Mexican drug trafficking organization, the Gulf Cartel, or Cartel del Golfo, has pleaded guilty to drug trafficking charges in the Eastern District of Texas.

Juan Francisco Saenz-Tamez, 23, of Camargo, Tamaulipas, Mexico, pleaded guilty to distribution and possession with intent to distribute cocaine, conspiracy to distribute and possession with intent to distribute marijuana, and conspiracy to commit money laundering. Saenz-Tamez entered his guilty plea on Jan. 13, 2015, before U.S. District Judge Marcia A. Crone.

According to information presented in court, a federal investigation into the large-scale trafficking of illegal drugs from Mexico into the Eastern District of Texas led to the identity of Saenz-Tamez. The investigation revealed Saenz-Tamez was responsible for the shipment of one-half ton of cocaine and 90 tons of marijuana into the Eastern District of Texas and then to locations across the nation, including Florida, Ohio, Michigan, Mississippi, Louisiana, Washington D.C., Pennsylvania, Tennessee, Maryland and Georgia. As a result of this scheme, \$100 million was laundered by Saenz-Tamez and his drug trafficking organization.

Saenz-Tamez was indicted by a federal grand jury on Sep. 5, 2013 and charged with conspiracy with intent to distribute cocaine, conspiracy with intent to distribute marijuana, and conspiracy to money launder. Saenz-Tamez was arrested by federal agents on Oct. 9, 2014 while shopping in Edinburg, Texas.

Saenz-Tamez faces a minimum of 10 years and up to life in federal prison for the drug convictions and up to 20 years in federal prison for the money laundering conviction. A sentencing date has not been set.

"This guilty plea marks a great victory in our long struggle against illegal narcotics trafficking and yet we must reiterate what should be self-evident - enforcement is only one part of the solution to what has been an interminable and ugly problem in American culture," said U.S. Attorney Bales. "The American appetite for narcotics is a stain on our national honor and a dark cloud for our future. The agents working on this case are amazing - they are true American heroes and I congratulate them all."

IRS-CI Special Agent in Charge Lucy Cruz stated, "This is an important victory for the American public; the role of IRS-CI in narcotics investigations is to follow the money so we can financially disrupt and dismantle major drug trafficking organizations. We are committed to taking the profits away from drug traffickers and putting those individuals in jail. IRS-CI is proud to provide financial expertise as we work alongside our law enforcement partners and bring these criminals to justice."

"It's a good day for law enforcement whenever we can take several tons of drugs off of America's streets," said Brian M. Moskowitz, special agent in charge of Homeland Security Investigations in Houston. "It's even better when we can also dismantle and cripple the organization behind those drugs, and remove its leadership, as our law enforcement team did in this case."

This case is the result of ongoing Organized Crime Drug Enforcement Task Force (OCDETF) joint investigations, Operation South Park, Operation La Mano Negra, Operation Frontera Chica and Operation Iceberg. The principal mission of the OCDETF program is to identify, disrupt and dismantle the most serious drug trafficking, weapons trafficking and money laundering organizations, and those primarily responsible for the nation's illegal drug supply.

This joint law enforcement investigation was led by the U.S. Drug Enforcement Administration and Homeland Security Investigations, Houston HIDTA Group 33, Internal Revenue Service – Criminal Investigation, United States Marshals Service, Texas Department of Public Safety, Texas Attorney General's Office, National Guard of Texas – Joint Counterdrug, Beaumont Police Department, Houston Police Department, Nacogdoches Police Department, Jefferson County Sheriff's Office, and the Harris County Sheriff's Office.

This case is being prosecuted by Assistant U.S. Attorney John Craft.

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15. As his own lawyer, Fattah Jr. leaves not one single stone unturned
By Jeremy Roebuck

The Inquirer; Jan. 16, 2015

They say, if you want something done right, you have to do it yourself.

Ask Chaka Fattah Jr., currently defending himself against charges of bank fraud, tax evasion, and stealing government funds, and he just might tell you there's truth in that adage. Prosecutors may beg to differ.

Since a judge approved his request to represent himself last month, Fattah - the 32-year-old son of Rep. Chaka Fattah (D., Pa.) - has flooded the court with dozens of motions that he hopes will defang the case against him. Call it defense by a thousand pinpricks.

In hundreds of pages of legal filings - including one whopping 302-page motion last month - he has jumped on legal technicalities, repeatedly alleged prosecutorial misconduct, and even debated the definitions of phrases like substantial income and monthly.

His tools? Definitions culled from such authorities as Entrepreneur Magazine, InvestmentAnswers.com, and various online dictionaries.

So far, that strategy doesn't exactly appear to be working. Of the eight rulings U.S. District Judge Harvey Bartle III has made on those complaints, the younger Fattah has lost all but one.

Still, he said Thursday, despite having only a high school education and some college credit, "I'm enjoying having the opportunity to have my concerns reviewed by the court."

If the increasingly hostile federal responses are any indication, the patience of prosecutors has long since worn thin.

Consider just a few of the words used in recent filings to describe Fattah's legal reasoning.

"Spurious and irrelevant," Assistant U.S. Attorney Paul L. Gray said of one of the nascent defender's motions.

"Specious," "misplaced," "frivolous," and "irrelevant" have also been deployed.

By Thursday, Gray appeared to have all but reached a breaking point.

At what would normally have been a routine hearing on the authenticity of FBI recordings, Fattah repeatedly sought to have a recording of one conversation between himself and officials at the Philadelphia School District thrown out.

His allegation? The government had deleted a portion of the conversation in which Fattah exchanged business cards with others in the room.

Not true, said Gray, whose hands repeatedly flew skyward in exasperation.

'The other guy'

The debate left even Bartle, who has shown deep reserves of patience in dealing with Fattah's lack of legal training, asking: What difference would those allegedly missing minutes make?

As the hearing concluded after a half-hour without a decision, Gray told a group of onlookers: "Sorry for wasting your time. Blame it on the other guy."

But for all the friction between him and the government, Fattah says he is simply exercising his constitutional rights.

Prosecutors have accused him of defrauding several banks, the IRS, and the Philadelphia School District out of several hundred thousand dollars - a case Fattah has described as a misguided attempt to strike a blow against his father.

The congressman, who recently began an 11th term and who holds a plum seat on the Appropriations Committee, has been plagued with his own federal investigation into whether he played any role in the misspending of federal grant money at nonprofits run by his current and former employees. He has repeatedly denied any wrongdoing.

But now, saddled with the threat of significant prison time and up to \$12 million in fines, the younger Fattah said he doesn't want to leave any possible way out unexplored. He made the decision to split from his court-appointed public defenders in November in large part because they failed to file the types of motions with which he is flooding the court.

"I understand how some people looking at these motions could say, that sounds petty, or that these are very minor issues," he said. "I have alleged serious misconduct on the part of the U.S. Attorney's Office, and since this case is about me allegedly lying, I think they should do everything right in prosecuting it."

Seeking the reward?

One of his chief complaints centers on a March 2012 meeting he had with representatives of the Inspector General's Office for the School District. Fattah says he attended hoping to blow the whistle on fraud allegedly carried out by his then-employer, Delaware Valley High School. Instead, he alleges, an FBI agent misled him by posing as a School District employee and recording the conversation.

Prosecutors now allege that the for-profit education firm, which held a contract to run two campuses, bilked the district out of nearly \$4 million by inflating salaries, making up benefit costs, and reporting nonexistent employees.

But, Gray said in a motion filed this week, authorities were not even investigating Fattah's role in those alleged deceptions until he contacted the district's anonymous fraud tip line and implicated himself.

According to the motion, Fattah was seeking a reward.

Though Bartle has ruled on a number of Fattah's motions in the last several weeks, he has yet to specifically address any of the prosecutorial-misconduct claims. And for now, that is where Fattah is hanging his hope.

"I'm looking forward to resolving these issues once and for all," he said. "I'm going to go to court in March and will fight every count."

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16. Trial of 'The Situation,' brother moved to September

By: Jerry DeMarco

Cliffview Pilot; New Jersey; Jan. 15, 2015

A federal judge today moved the trial of TV personality Michael "The Situation" Sorrentino and his brother on charges of ducking taxes on \$8.9 million in income from promotional gigs while claiming pricey clothing, high-end cars and personal grooming as business expenses to Sept 14.

The "Jersey Shore" participant and his brother/manager, Marc Sorrentino, were indicted last fall on charges of not properly paying taxes from promotional appearances.

Each is charged with one count of conspiracy to defraud the United States, as well as with filing false tax returns for 2010 through 2012.

Michael Sorrentino faces an additional count for allegedly failing to file a tax return for 2011.

"The law is absolutely clear," U.S. Attorney Paul S. Fishman said when they were indicted. "Telling the truth to the IRS is not optional."

U.S. District Judge Susan D. Wigenton issued a "complex case" designation and a continuance order that pushes the trial to late summer.

The original trial date was March 2.

According to the indictment on file in U.S. District Court in Newark:

"The pair conspired to fail to pay all federal income tax owed on approximately \$8.9 million earned by Michael Sorrentino between 2010 and 2012. This income was largely received by two companies controlled by the brothers: MPS Entertainment, LLC and Situation Nation, Inc.

"As part of the conspiracy, the brothers submitted or caused to be submitted to the IRS false documents which understated the gross receipts received by the brothers and the two companies. The brothers also submitted false personal tax returns which failed to report all of the income they received, and Michael failed to file a personal tax return in 2011, despite earning \$1,995,757 that year.

"As part of the conspiracy, the brothers also fraudulently claimed millions of dollars in personal expenses as business expenses, including payments for high-end vehicles and clothing, personal grooming expenses, and distributions – or direct payments – from the businesses to personal bank accounts."

Fishman credited special agents of IRS-Criminal Investigation with the probe. Representing the government are Assistant U.S. Attorneys Evan S. Weitz and Jonathan W. Romankow of Fishman's Criminal Division in Newark, as well as Trial Attorney Tino Lisella of the Tax Division of the U.S. Department of Justice.

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17. Cleveland Woman Charged with Filing False Claims with the IRS

By Eric Heisig

Cleveland.com; Jan. 14, 2015

CLEVELAND, Ohio – A federal grand jury indicted a woman Wednesday accused of filing more than \$100,000 in false claims with the Internal Revenue Service.

Nakesha Taylor, 35, of Cleveland, is accused of taking portions of fraudulently inflated tax refunds for returns she filed between January and February 2010.

She offered tax preparing services under the moniker "Kesha Tax Service."

Taylor is charged with 10 counts of making false, fictitious or fraudulent claims.

Her attorney, Darin Thompson, did not immediately return a phone call.

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18. Lake Township Man Indicted, Accused of Securities Fraud

Geoffrey W. Nehrenz, of Lake Township, has been indicted on federal charges of securities fraud, wire fraud, mail fraud and money laundering. Nehrenz operated Keystone Capital Management in Stark County.

By Ed Balint

Canton Rep; Jan. 14, 2015

A Lake Township man is facing federal charges accusing him of running a Ponzi scheme that defrauded 19 investors of roughly \$5.5 million.

Geoffrey W. Nehrenz, 36, faces one count of securities fraud, three counts of wire fraud, one count of mail fraud, one count of fraud by an investment advisor and two counts of money laundering.

The grand jury indictment was made public Wednesday.

Nehrenz was the president, managing member and chief executive officer of the Lake Township-based Keystone Capital Management. The indictment says that Nehrenz had sole management and investment authority for the business.

"Geoffrey Nehrenz callously preyed on the desires of 19 individuals to make wise investments and duped them out of millions," Stephen D. Anthony, special agent in charge of the FBI's Cleveland office, said in a news release from the office of Steven M. Dettelbach, U.S. Attorney for the Northern District of Ohio. "The FBI will continue to root out fraudsters like Mr. Nehrenz."

Attorney James Haupt is representing Nehrenz. "We are standing strong and maintaining his innocence," Haupt said late Wednesday afternoon.

Nehrenz is accused of inducing at least 19 clients to invest roughly \$7 million into his hedge fund (Keystone Active Trader), resulting in losses to his clients totaling roughly \$5.5 million.

The case has been investigated by the FBI and IRS. The 19 investors apparently are from Northeast Ohio and Pennsylvania.

ALLEGED SCHEME

Federal investigators say that Nehrenz promoted and sold investment contracts to clients through Keystone Capital Management between October 2009 and September 2013.

The business was an Ohio limited liability company registered as an investment adviser firm but not registered with the Securities and Exchange Commission, the news release said.

Nehrenz induced 19 clients to invest in Keystone by promoting the firm's ability to generate positive investment returns in equity markets while mitigating risk, according to the U.S. Attorney's office in Cleveland.

"He falsely represented to potential clients that their funds would be pooled, invested during the day in large-and-mid capitalization, publicly traded U.S. securities exclusively, and converted to cash overnight," the news release said.

Rather than investing the funds, Nehrenz used client money to pay personal and business expenses, and to promote and prolong his investment scheme, according to the U.S. attorney's office.

To conceal the scheme, the indictment alleges, Nehrenz provided clients with quarterly performance and capital summaries "that stated the clients achieved high rates of return when, in truth and in fact, as he then

well knew, he was embezzling client funds or losing them in speculative, high-risk side pocket investment trades."

When clients asked Nehrenz to redeem their investments, he made false and fraudulent representations about the status of their investments "to delay and lull them into a false sense of security," the indictment alleges.

Sometimes he "used other client funds to honor redemption requests," according to federal investigators.

For example, a client falsely believed that his investment was profitable in 2010, but it had actually lost roughly half of its value, according to the indictment.

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FULL TEXT ARTICLES

1. Woodstock man sentenced in fraud case

Burlington Free Press

May 22, 2015

A Woodstock businessman was sentenced to 27 months in prison after pleading guilty to federal fraud charges.

The U.S. attorney's office says the court also ordered Paul Hendler on Thursday to pay \$550,000 in restitution and serve three months on probation after his release.

Hendler was charged with mail and wire fraud, interstate transportation of stolen money, forgery and engaging in monetary transactions involving more than \$10,000 of criminally-derived property.

A federal grand jury indictment accused him of scheming from 2005 to 2010 to defraud two Vermont businesses he helped found — JavaPop, Inc. and Green Mountain Digital — and a New York investor in one of the companies.

The court also ordered Hendler to pay back the victims.

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2. Grosse Pointer imprisoned for taxes owed on stolen \$700K

The stolen money, the prosecution said, funded the woman's personal shopping sprees.

By Tresa Baldas

Detroit Free Press

May 22, 2015

A 70-year-old Grosse Pointe Woods woman is going to prison for 21 months for not paying federal income taxes on the more than \$700,000 she stole from the boss's checking account.

The embezzled money, the prosecution said, wound up funding the woman's personal shopping sprees.

Janet Gentile, a manager of Sagres Partners, a business management consulting firm in Grosse Pointe, was sentenced today by U.S. District Judge Robert H. Cleland, who also ordered her to pay nearly \$220,000 in restitution to the IRS.

Gentile, who had worked for the firm for 12 years, pleaded guilty to filing a false tax return in September.

According to court records, Gentile stole 216 checks from the company owner's personal checking account, made the checks payable to "cash," and forged the owner's signature.

Gentile tried to hide this scam by making an entry on the memo line of the checks indicating that they were for petty cash, records show.

She then deposited the checks into her personal account at TCF Bank and used the money to buy items at local stores, as well as online shopping venues, such as the Home Shopping Network (HSN) and QVC.

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3. Phoenix Contractor and Bookkeeper Get Prison

Arizona Daily Independent

Tucson, Ariz.

May 21, 2015

On Tuesday, Paxton Jeffrey Anderson, who worked as a Phoenix-based general contractor between 2004-2007, Joseph John Plany, 42, were sentenced to eight years and four years in prison, respectively, and ordered to pay \$3,270,425 in restitution.

Anderson and Plany were convicted of multiple counts of bank fraud in June, 2014, after a three-week jury trial.

"The defendants orchestrated a multi-million mortgage fraud scheme that caused severe financial and emotional harm to numerous victim investors. Anderson was the mastermind who diverted hundreds of thousands of dollars to finance his love for horse racing and gambling, while Plany supervised the day-to-day details of the fraud and failed to alert unsuspecting borrowers to the illegal diversion of funds" said Dawn Mertz, Special Agent in Charge, Internal Revenue Service Criminal Investigation.

According to the evidence presented at trial, Anderson with the assistance of his bookkeeper Plany, made false representations to lenders to obtain construction loans for borrowers. Anderson used some of his friends and family as the borrowers for these fraudulently acquired loans. Unbeknownst to the borrowers, Anderson and Plany forged and altered draw requests, and other documents, to withdraw money from the construction loans.

Anderson and Plany would use the monetary draws for their own personal expenses instead of using the funds to construct homes for the borrowers. Some of these personal expenses included the purchase of racehorses and trips to the Kentucky Derby. As a result of the fraud, many borrowers were forced into bankruptcy because their homes were never completed and were foreclosed upon by lenders.

The investigation in this case was conducted by the Internal Revenue Service Criminal Investigation.

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4. Slidell car salesman sentenced to 30 months in prison for money laundering

The New Orleans Advocate

May 21, 2015

A Slidell man was sentenced to 30 months in prison Wednesday after admitting more than a year ago that he pilfered \$344,000 from a brokerage account that somebody else had opened in his name.

Richard Zanco, 44, admitted he became aware of the Fidelity Investments account that was opened using his name and other identifying information, and that he found out it contained valuable "collateral mortgage obligations," a type of bond.

Zanco, a car salesman, "enacted a scheme to obtain access" to the account.

Over six months in 2013 he liquidated some of the assets, buying automobiles and boats with the proceeds, according to the "factual basis" that he signed on March 26, 2014, underpinning his guilty plea on a money laundering count.

His defense attorney, Vinny Mosca, said Zanco had known the man who swiped his identity and who had set up the account in his name.

Zanco got bad advice from another lawyer to go ahead and siphon off the interest that had accrued in the account, Mosca said.

He said the other man received his own prison sentence of more than three years.

Zanco also was ordered to pay about \$290,000 in restitution.

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5. California Operator of MyRedBook.com Sentenced to 13 Months in Prison for Facilitating Prostitution *Defendant Also Ordered to Forfeit More Than \$1.28 Million*

eNews Park Forest

May 21, 2015

Washington, DC--(ENEWSPP)--May 21, 2015. A California man was sentenced to 13 months in prison today for his operation of the myRedBook.com website to facilitate prostitution. This represents the first federal conviction of a website operator for facilitation of prostitution.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, U.S. Attorney Melinda Haag of the Northern District of California, Special Agent in Charge David J. Johnson of the FBI's San Francisco Field Office and Special Agent in Charge José M. Martinez of the Internal Revenue Service-Criminal Investigation (IRS-CI) Oakland Field Office made the announcement.

Eric Omuro, also known as Red, 53, of Mountain View, California, pleaded guilty on Dec. 11, 2014, before U.S. District Judge William H. Orrick of the Northern District of California to using a facility of interstate commerce with the intent to facilitate prostitution. As part of his plea agreement, Omuro agreed to forfeit more than \$1.28 million in cash and property, as well as the sfRedBook.com and myRedBook.com domain names.

In connection with his guilty plea, Omuro admitted that from April 2010 until June 25, 2014, he owned, managed and operated a website known as myRedBook.com, which was previously known as sfredbook.com. Omuro admitted that the website hosted advertisements posted by prostitutes containing explicit photos, graphic descriptions of sexual services offered and rates for the sexual services. The advertisements were searchable by geographic location, including cities throughout California, other U.S. states and Canada.

Omuro admitted that members of his website and prostitutes typically used acronyms for sex acts, which were defined in graphic detail in the website's "Terms and Acronyms" section. While prostitutes could post advertisements for free, myRedBook.com offered additional options for a fee. For example, prostitutes could pay a fee to have their advertisement featured more prominently on the website. Similarly, customers could access myRedBook.com for free. If a customer purchased a membership, however, the customer obtained early and enhanced access to prostitute reviews, enhanced prostitute review search options and access to additional VIP forums, among other things.

According to an affidavit submitted in connection with the sentencing hearing, the FBI identified more than 50 juveniles who were also advertised on myRedBook for the purpose of prostitution.

This case was investigated by the FBI's San Francisco Field Office, the IRS-CI and the Oakland, California, Police Department. The case is being prosecuted by the Criminal Division's Child Exploitation and Obscenity Section and U.S. Attorney's Office of the Northern District of California. The Criminal Division's Office of International Affairs provided assistance to the prosecution.

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6. South Euclid Woman Sentenced to Five Years in Prison for Identity Theft

Keauna Smith, 30, was sentenced to 61 months in prison for aggravated identity theft.

By: Eric Heisig

Cleveland.com

May 20, 2015

CLEVELAND, Ohio — A South Euclid woman who stole the identities of 16 people and used them to collect fraudulent tax refunds was sentenced Wednesday to more than five years in prison.

Keauna Smith, 30, filed the tax returns with computer software between 2012-14, when the Internal Revenue Service found out what was going on. She had the money loaded onto prepaid debit cards and accessed the money at ATMs.

She also stole \$26,300 from her former employer, Metaloy, by writing company checks to herself and forging her boss's signature.

She pleaded guilty in February to three counts of wire fraud, one count of bank fraud and three counts of aggravated identity theft. Chief U.S. District Judge Solomon Oliver Jr., before handing down his sentence, called Smith's crimes "pretty extensive."

"I also think it's pretty dumb, to be honest with you," he continued.

According to her indictment, Smith used the 16 stolen identities to file 18 tax returns. She claimed \$44,306, though prosecutors said Smith's tax scheme was more extensive and included fraudulent returns filed for others.

The judge ordered Smith to pay \$261,524 in restitution. She will be on supervised release for three years and will not be allowed to use a computer without permission.

Smith has been in jail since February, after Magistrate Judge Nancy Vecchiarelli found that she violated the terms of her release by using marijuana. She apologized for her actions, saying she committed the crimes to provide for her family.

After Smith pleaded guilty, IRS Special Agent Ellen Lacy found more evidence that Smith had filed more fraudulent tax returns the previous month, Assistant U.S. Attorney Jim Moroney said during the hearing.

She has not been charged, though, and her attorney, Leif Christman, said his client denies those allegations.

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7. Vendor Who Bribed Two-Year College Chancellor Resentenced to Three Years in Prison

Birmingham Times
May 21, 2015

BIRMINGHAM — A federal judge today sentenced a computer software vendor to three years in prison for paying more than \$600,000 in bribes between 2002 and 2006 to the then chancellor of Alabama's two-year college system, announced U.S. Attorney Joyce White Vance and Internal Revenue Service-Criminal Investigation Special Agent in Charge Veronica Hyman-Pillot.

U.S. District Judge Virginia Emerson Hopkins sentenced JAMES WINSTON HAYES, 71, to prison and again ordered he pay \$628,454 in restitution and forfeit \$5 million. The judge originally sentenced Hayes to probation in 2011. Today's resentencing was the result of a November ruling by the U.S. Court of Appeals for the Eleventh Circuit, which vacated the judge's earlier sentence. The government challenged the probationary sentence on appeal and the 11th Circuit ruled that a sentence of probation was unreasonable for Hayes' crime.

"Mr. Hayes received millions of taxpayer dollars by bribing the chancellor of Alabama's two-year college system to ensure the defendant's company received contracts from colleges within the system," Vance said. "Through fraudulent contracts and fake invoices, he even had taxpayers financing his bribe payments," she said. "Imprisonment is a necessary and just punishment for his crimes."

"Today's sentence of James Hayes emphasizes the government's relentless effort to hold an individual accountable for his criminal behavior," Hyman-Pillot said. "Mr. Hayes used financial bribes to influence contracts with the Alabama Department of Postsecondary Education. The overall conspiracy was fueled by greed and deceit. I hope this sends a clear

message that Internal Revenue Service-Criminal Investigation will continue to trace every penny used in kickback schemes to expose all individuals who engage in bribery and corruption," she said.

Hayes formerly owned ACCESS Group Software, a Walker County company that sold educational computer software to the Alabama Department of Postsecondary Education. ACCESS did business with more than 25 two-year colleges and technical schools in Alabama. Hayes pleaded guilty in 2008 to bribing Roy Johnson, then chancellor of the two-year college system, and to conspiring to commit money laundering.

Over four years, Hayes paid Johnson more than \$600,000 in bribes, and in return, Hayes' software company obtained lucrative government contracts that earned his company more than \$14 million in revenue and about \$5 million in profit.

Johnson pleaded guilty in the case to charges of bribery, conspiracy to commit bribery, conspiracy to commit money laundering, obstruction of justice and tampering with a witness. Johnson was sentenced to six years and six months in prison. Both Hayes and Johnson assisted the government in its investigation of corruption in the two-year college system after they were charged. Including Hayes and Johnson, the investigation resulted in 17 convictions.

Assistant U.S. Attorney George Martin prosecuted the case and Assistant U.S. Attorney Praveen Krishna handled the case on appeal.

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8. Attorney pleads guilty to tax evasion, hiding assets

By: Mark Anderson

Sacramento Business Journal

May 22, 2015

A West Sacramento attorney pleaded guilty Thursday in federal court in Sacramento to tax evasion.

According to prosecutors, James Stewart Richards, 69, owed federal income taxes between 1994 and 2003 totaling \$170,000.

He did not pay taxes, and then he evaded payment. He filed compromise offers with the Internal Revenue Service in which he omitted bank accounts and six rental properties.

Court papers say Richards asked his bank to not disclose information to the IRS, and he attempted to conceal his assets by withdrawing \$100,000 in cashier's checks. He also tried to tie up his money by buying a yacht, which he titled and registered in someone else's name to conceal it. He also made false statements to a bankruptcy court and to the IRS.

The case was investigated by the Internal Revenue Service-Criminal Investigation. Assistant U.S. Attorneys Audrey Hemesath and Nirav Desai prosecuted.

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9. Green Power CEO pleads guilty to tax crimes

By: Kristi Pihl

The Bellingham Herald

Bellingham, Wash.
May 21, 2015

A serial swindler accused of stealing from investors in his Pasco biofuels company pleaded guilty Thursday for a second time.

Michael Spitzauer admitted in federal court in Richland to failing to file a tax return one year and filing a false tax return another year.

As part of the deal, the Kennewick man acknowledged defrauding investors of \$10.4 million and using the money to pay back previous investors on unauthorized business expenses and for personal expenses such as buying a \$1 million Kennewick mansion, furniture, donations and professional sports tickets.

This week's plea deal included different charges, but is the same recommended four-year sentence that U.S. District Court Judge Sal Mendoza Jr. rejected last week.

Spitzauer, 47, was federally indicted on wire and bank fraud, aggravated identity theft, money laundering, tax evasion and lying on his federal tax return. He's been in federal custody since December 2013.

Last week, Spitzauer withdrew his guilty plea to wire fraud and tax evasion after Mendoza said he did not want to sentence him below the sentencing range of five to six years. He said Spitzauer's long history of committing fraud was too concerning for him to agree to sentence him below the standard range.

Because Spitzauer pleaded to different charges this week, the sentencing range is less. Prosecutors are again recommending four years. His sentencing is set for June 9. Assistant U.S. Attorney Mary Dimke said the deal will provide good resolution to victims and the government.

Most of Spitzauer's victims are from foreign countries, and although all but one agreed to come to the U.S. for a trial, federal prosecutors have no ability to force them to do so, she said.

The trial would have been logistically challenging and expensive because of the cost of bringing the victims to the U.S. and covering housing and some expenses while they are here. She said the trial could have taken a month and used a substantial amount of the U.S. Attorney's Office resources for two or more months.

The safety of the community also is a significant concern, Dimke said.

"He has a history of committing frauds and it's a history dating back for years," she said. Spitzauer was convicted of fraud and forgery in 1989 and fraud again in 1991. He was sentenced to eight years in prison, but served just three.

After he was released from an Austrian prison, he came to the U.S. and lied on his immigration entry form about his convictions and later lied on his Legal Permanent Resident application.

While he operated his first business venture in the U.S., Spitzauer ran a check fraud scheme, causing losses of more than \$400,000, federal prosecutors said.

Federal prosecutors still are asking that Spitzauer be required to pay almost \$13 million in restitution to his victims.

Many of the charges stem from his actions as CEO of Green Power, a Pasco-based company that was reportedly building a waste-to-fuel plant.

The federal case against Spitzauer has been widely publicized, including in the Tri-City Herald, Dimke said. Any potential investor should be warned not to do business with Spitzauer if they do even a small amount of research on him.

If he does reoffend, it's likely to be fraud, she said.

Spitzauer pleaded guilty to an aggravated felony, which means he will be deported once he finishes serving time in prison, Dimke said.

"He will no longer be a threat to the American public because he should not be able to return," she said.

Spitzauer said he was not waiving his rights to fight any deportation attempt.

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10. Munster accountant charged in 34-count federal indictment

NWI Times
Munster, Ind.
May 21, 2015

HAMMOND | A Munster accountant accused by the feds last fall of stealing from a client to gamble at local casinos is facing 34 new federal charges, U.S. Attorney David Capp announced Thursday.

A federal grand jury returned a 34-count superseding indictment charging Jack Weichman with nine counts of bank fraud, 14 counts of bankruptcy fraud, two counts of money laundering, four counts of wire fraud, and five counts of filing false federal income tax returns, court record show.

In a statement issued Thursday morning, Weichman's attorney, Theodore Poulos, said "we are deeply disappointed and, quite frankly, appalled that the government has decided to bring these additional trumped up charges against Mr. Weichman, especially the additional charges relating to 'Doctor B.' Jack Weichman didn't do anything wrong and we are going to prove it in court."

According to the superseding indictment, Weichman, a CPA, owned and operated the accounting firm Weichman and Associates and the medical billing firm MMDS, both in Munster. The businesses managed medical practices and provided payroll, billing, accounting and tax services for its physician clients.

Weichman allegedly illegally obtained over \$3 million from a local bank via his physician clients' bank accounts, and secured lines of credit in the name of a client without the client's permission. The indictment charges that Weichman caused about \$1 million in fraudulent withdrawals to be made from the brokerage account of a client identified in court paper's as Dr. B.

The indictment alleges Weichman used the lines of credit to pay off gambling debts at local casinos.

Poulos, in his statement, said the claim that Weichman improperly used funds belonging to Dr. B is "totally false." Poulos contends Dr. B and Weichman have been "dear friends" for many years, that the physician authorized Weichman to use his funds, and that the doctor doesn't believe Weichman wronged him in any way.

Weichman is also charged with defrauding a second bank by renewing a more than \$355,000 term loan by failing to reveal that he owed the IRS about \$2 million dollars in back taxes.

The superseding indictment also alleges Weichman hid assets from creditors and a bankruptcy trustee during his Chapter 11 bankruptcy. The feds also accuse him of hiding hundreds of thousands of dollars paid to area casinos and

tens of thousands of dollars in credit card payments used to purchase cigars, luxury handbags, sports memorabilia and cruises.

The bankruptcy charges also trigger allegations of money laundering, alleging hundreds of thousands of dollars in criminally derived property.

The wire fraud charges center on allegations Weichman and employees at his accounting firm caused the transmission of withdrawal requests on a client's IRA accounts to be faxed to brokerage offices in San Diego and St. Louis without the client's knowledge or permission. Weichman allegedly told his employees to pretend to be the holder of the IRA accounts when contacting the brokerage firm.

Weichman allegedly used the money obtained for his own benefit, including gambling.

He is also accused of filing five false income tax returns from 2009 through 2013.

In September, Weichman was charged with four counts of bank fraud stemming from allegations he stole \$660,000 from a physician's account to gamble at local casinos.

Poulos said Weichman has successfully managed the financial affairs of hundreds of physicians and medical practice group for three years and properly conducted millions of financial transactions on behalf of his clients.

"We do not dispute that some mistakes could have been made. But Mr. Weichman always acted honestly and in good faith in the interest of his clients. He will continue to do so," said Poulos in the statement.

According to Poulos, the charges based on Weichman's personal financial affairs "arise in the context of the complex tax and bankruptcy code and the involvement of other professionals who guided Mr. Weichman." He contends that the evidence "will establish there was no fraud nor any intentionally false statements."

The case is being prosecuted by Assistant United States Attorneys Diane L. Berkowitz and David Nozick.

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11. Broward accountant used her clients' IDs to defraud IRS, feds say

Federal prosecutors say the certified public accountant used her Miami tax return business to file false income tax returns and divert money from clients into her personal accounts.

By: Paula McMahon

Sun Sentinel
May 21, 2015

Federal prosecutors say a Davie accountant used her income tax preparation business to file fraudulent claims, launder money and steal from her clients and Uncle Sam.

Pamella Watson, 60, of Davie, will remain locked up in the Broward County jail system at least until a bond hearing next week.

Watson was arrested Wednesday on several federal charges, including mail fraud, wire fraud, money laundering, submitting false and fraudulent claims and aggravated identity theft. The most serious charges carry a maximum punishment of 20 years in federal prison.

Prosecutors said Watson used her Miami tax preparation firm, Watson & Associates Business Services, Inc., to run a tax refund scheme that defrauded many of her long-term clients and the government.

Watson has not yet indicated if she will contest the allegations. Her lawyer, Michael Hursey, declined to comment after a brief court hearing Thursday in federal court in Fort Lauderdale.

Without the clients' knowledge, Watson prepared two versions of their tax returns, according to the criminal complaint. She gave an accurate copy of the return to the clients but submitted a fraudulent version, seeking a higher refund amount, to the IRS, Assistant U.S. Attorney Neil Karadbil wrote.

When the IRS approved the fraudulent refund, Watson arranged for the expected amount to be deposited in her clients' bank accounts and had the rest deposited into an account that Watson controlled, according to the allegations.

An IRS analysis of Watson's bank accounts showed that more than \$3.4 million in tax refunds — linked to 183 of her clients — were deposited into her accounts between January 2011 and September 2014. And 10 checks, totaling more than \$222,500, that her clients wrote to the IRS were credited to Watson's personal tax account, investigators wrote.

More than 70 percent of the 550 federal income tax returns Watson prepared for her clients for tax years 2010 through 2013 involved refunds that were fully or partially diverted into Watson's account, prosecutors said.

Watson also transferred more than \$1 million to an account in Jamaica, according to court records.

The investigation began in 2014 after at least one of Watson's clients became suspicious and noticed something was awry with his return.

Investigators provided a cooperating witness with what looked like an IRS audit letter, and Watson agreed to represent the client. She later submitted what prosecutors said were fraudulent medical bills that appeared to show the client had undergone medical treatment in Jamaica.

The client later confirmed to investigators that the medical expenses were falsified by Watson and the client had received no such treatment.

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12. South Florida men targeted seniors around the world in \$28M sweepstakes fraud, feds say

By Paula McMahon

Sun Sentinel
May 21, 2015

A South Florida-based sweepstakes fraud that bilked about \$28 million from hundreds of thousands of victims around the world has been shut down with the arrests of four local men, federal authorities said Thursday.

Matthew Pisoni, 42, of Fort Lauderdale; Marcus Pradel, 39, of Boca Raton; John Leon, 47, of Wilton Manors; and Victor Ramirez, 35, of Aventura, are all facing mail fraud conspiracy, money-laundering conspiracy, mail fraud and money laundering charges.

Each count carries a maximum punishment of 20 years in federal prison.

The four men bombarded millions of consumers — mostly people over age 65 — with letters falsely notifying them they had won millions of dollars, according to prosecutors and the Federal Trade Commission.

Recipients were told they had to pay a fee of between \$20 and \$50 to collect their "winnings."

Some of the payments were laundered through shell companies and international bank accounts controlled by the men and others, investigators said.

The fraud had been operating since at least 2010 and targeted people in the U.S., Australia, Canada, Japan, the United Kingdom, France, Germany and several other countries, authorities said.

"This outfit promised people huge prizes and collected millions in fees but never paid out a dime," said Jessica Rich, director of the commission's Bureau of Consumer Protection. "If someone says you have to pay to claim a sweepstakes prize, assume it's a scam."

The four men mailed personalized letters, claiming that recipients had won a "guaranteed" prize of typically more than \$2 million, authorities said. To create a false sense of urgency, recipients were told they would forfeit their winnings if they did not pay the advance fee by a deadline.

But the people who got the letters had won nothing.

The letters included "dense, confusing language, at the bottom or on the back" that informed consumers they would receive reports only about sweepstakes and contests operated by other companies, investigators said. Most people who paid the fee did not even receive those unhelpful reports, authorities said.

"This language is not calculated to alert consumers of the truth — that they have won nothing and will get nothing of value for their money ... this sort of fine print is no defense to a charge of deception," FTC lawyers wrote.

The sweepstakes fraud continued operating for years despite authorities seizing organizers' mail, the arrest and conviction of one of their employees and a police raid that shut down the group's payment processor in Canada, according to court records.

"Defendants have responded to these setbacks by redoubling their efforts to hide from law enforcement," investigators wrote.

The men simply changed the names of the businesses they used, switched mail drops and opened new bank accounts, authorities said. They used payment processors and mail drops in Canada, the Netherlands and Hong and transferred money to accounts in Colombia, Panama, and the Seychelles off the coast of Africa.

U.S. District Judge James Cohn issued an order this week freezing the defendants' assets, appointing a receiver and prohibiting any illegal conduct by the four men and several companies they controlled, including Mail Tree Inc.; Michael McKay Co.; Spin Mail Inc.; MCP Marketing Activities LLC, also doing business as Magellan Mail and Magellan Marketing; Trans National Concepts Inc.; Romeria Global LLC, also doing business as Lowenstein Varick and Nagel; Supreme Media LLC; Vernier Holdings Inc.; Awards Research Consultant LLC; Mailpro Americas Corp.; Masterpiece Marketing LLC, also doing business as Affiliated Opportunities Group, Corporate Accounting Authority, Dispatch Notification Services, Information Reporting Group, National Directory Center, and Priority Information Exchange.

The cases are being handled by the U.S. Attorney's Office in South Florida, the IRS, the U.S. Postal Inspection Service, the Federal Trade Commission and Aventura police.

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13. 6 people indicted for conspiracy to defraud IRS sentenced

Sioux City Journal
Sioux City, Iowa
May 21, 2015

SIOUX FALLS, S.D. (AP) — A group of people who pleaded guilty in South Dakota to identify theft and attempting to defraud the Internal Revenue Service have all have been sentenced.

U.S. Attorney Randy Seiler says the last of the six defendants were sentenced this week. All six pleaded guilty to conspiracy to defraud the United States. Five of them pleaded guilty to identify theft.

Seiler says the indictments stemmed from the defendants conspiring to defraud the IRS by using stolen personal information to file fraudulent income tax returns, which claimed false income tax refunds.

The six defendants include: Jennifer Robinson, of Fargo, North Dakota; Shawnte Washington, of Tampa, Florida; Stewart Franks, of Little Rock, Arkansas; Timothy Brister, Jr. of Tampa; Ann Weber, of Horace, North Dakota; and Donta Moore, of Kansas City, Missouri.

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14. Westmoreland County used car dealer charged with tax fraud

By Torsten Ove

Pittsburgh Post-Gazette
May 20, 2015

A Westmoreland County used car dealer has been indicted in federal court on tax charges related to the concealment of his true ownership in several dealerships in Greensburg, Latrobe, McKeesport and elsewhere.

Robert W. Richards and an accused co-conspirator, Jennifer Kay Morrison, are named in the indictment handed up Wednesday in U.S. District Court.

The grand jury said Mr. Richards, of Greensburg, operated several dealerships but hid his ownership by putting them in the names of others, one of them Ms. Morrison, who served as his "nominee" at McKeesport Auto Emporium and acted as his signatory on two dozen bank accounts he maintained for his businesses.

The grand jury said Mr. Richards filed false tax returns for 2010 by under-reporting \$2.7 million in gross receipts from the dealerships for the tax years 2006 through 2009.

Ms. Morrison filed no tax returns for the years 2006 through 2009, according to the IRS.

Mr. Richards is charged with one count of conspiracy and four counts of filing false returns. Ms. Morrison is charged with conspiracy.

Both are scheduled to appear before a federal magistrate on June 10.

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Wassenaar Russell D

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From:

Sent:

Friday, December 09, 2016 9:53 AM

To:

*CI EMP; Koskinen John A; Dalrymple John M; Cronin Edward F (Ted) - CT; Dinh Nguyen; Evans Liz E; Glenn James E; Harr Stacey M; Imhoff John H Jr; 'jennifer.e.ihlo@usdoj.gov'; 'karen.e.kelly@usdoj.gov'; 'karen.mcafee@mail.house.gov'; 'katie.s.bagley@usdoj.gov'; Lemons Terry L; 'Lori.A.Hendrickson@usdoj.gov'; 'Mitchell.J.Ballweg@usdoj.gov'; Mulleneaux Natasha M; Paguni Rosemary E; Salad Bruce M; 'Shawn.T.Noud@usdoj.gov'; Southwell James E; 'Todd.A.Ellinwood@usdoj.gov'; Bednarz Linda S - CT; Beyer James N - CT; Monica Christopher T - CT; Ineich Paul J - CT; Ramirez Victor A - CT; Taylor Brad - CT; Philcox Crystal; 'Jason.H.Poole@usdoj.gov'; Lungner Richard - CT; Arora Vikas K; Hellerman George P; Lemons Terry L; Eldridge Michelle L; 'Caroline.D.Ciraolo@usdoj.gov'; 'Larry.J.Wszalek@usdoj.gov'; Luthra Veena - CT; Brown Charlotte Anne; Burke Anthony; Stanish Paul S; Asper Damon C; Berg Alisa J; 'Melissa.E.Schraibman@usdoj.gov'; 'Tino.M.Lisella@usdoj.gov'; 'Elizabeth.C.Hadden@usdoj.gov'; 'Samuel.R.Lyons@usdoj.gov'; 'Caryn.Finley@usdoj.gov'; 'Gregory.E.Tortella@usdoj.gov'; 'Jorge.Almonte@usdoj.gov'; 'John.N.Kane@usdoj.gov'; 'stuart.m.goldberg@usdoj.gov'; Mathis Nancy; 'Stuart.A.Wexler@usdoj.gov'; 'Kim.l.better@usdoj.gov'; 'h.mark.horror@usdoj.gov'; 'melissa.s.siskind@usdoj.gov'; Larry.r.garland2@usdoj.gov; Erin.Lindgren@usdoj.gov; Butler Felecia A; Kody.Kinsley@treasury.gov; Stan.J.Okula@usdoj.gov; Felecia.M.Butler2@usdoj.gov; jonathan.m.deville@usdoj.gov

Subject: IRS Criminal Investigation Daily News for Dec. 9, 2016

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FULL TEXT ARTICLES

1. Broward man sentenced to 2 years in prison for ID tax fraud

South Florida Business Journal

Fort Lauderdale, Fla.

Dec. 8, 2016

Broward County resident Maraldy Necker Jean was sentenced to two years in prison for his role in an identity theft tax fraud scheme, according to the U.S. Attorney's Office for the Southern District of Florida.

Jean previously pleaded guilty charges including one count of aggravated identity theft.

Jean and his co-defendant Wilna Joseph were indicted in November of last year. According to the indictment, in February 2014, the duo drove to a Pembroke Pines Wells Fargo Bank branch and tried to withdraw cash from the ATM using a debit card. They then drove to a Citibank outpost, also in Pembroke Pines, and withdrew approximately \$1,200.

The problem was that Jean and Joseph were using debit cards registered to other people funded with fraudulently gotten tax refunds. On that February date, the duo had more than ten debit cards registered to other people, according to the indictment.

Those debit cards had been filled with funds obtained from fraudulently filed federal tax income returns, according to the U.S. Attorney's Office. The cards were funded with more than \$76,000 in tax refunds.

Joseph was sentenced in November to 10 months in prison.

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2. Peace, Love and Little Donuts meets 'lying, cheating and greed'

Pittsburgh Post-Gazette

Pittsburgh, Pa.

Dec. 9, 2016

Ron Razete, founder of the Peace, Love and Little Donuts chain, left a federal court hearing Thursday with a sentence of probation instead of prison for hiding his doughnut business from bankruptcy court and cheating on his income taxes.

With some 30 Razete supporters packed into her courtroom, U.S. District Judge Donetta Ambrose imposed a term of five years of probation and ordered him to perform 300 hours of community service. He had faced a potential jail term of 10 to 16 months.

The judge made it clear she was not taking the case lightly. She said she wanted to "disabuse" anyone of thinking that the prosecution was simply a matter of "accounting issues," as some of Razete's supporters have insisted, that have since been cleared up.

"It's not about 'accounting issues,'" she told the audience. "It's about lying, cheating and greed."

But she agreed with Razete's lawyer, Laura Gutnick, that sending him to prison would serve no purpose, especially because he has already paid \$40,350 in restitution to the IRS. Ms. Gutnick said he employs lots of people, is needed to run the three shops he owns and has to be on-site to help set up other franchises across the U.S.

Judge Ambrose said jail "just doesn't make sense" for someone like Razete, who she said is no threat to anyone.

Razete refused to comment after the hearing. He hugged his friends and family in a courthouse atrium.

In court, he said only that he felt "remorse and embarrassment" for what he'd done and that his life has been greatly affected since the day this summer when he pleaded guilty and became a federal felon twice over.

Assistant U.S. Attorney Greg Melucci had argued that Razete's crimes were calculated and that he repeatedly lied to hide his assets despite having ample opportunity to set the record straight. Mr. Melucci said he then made matters worse by also lying to the IRS about his income taxes.

The lies were all the more troubling, Mr. Melucci said, considering his history as a religious man. Razete had been an ordained minister until he was defrocked because of his criminal actions.

"He fell prey to temptation," Mr. Melucci said.

Razete, 56, a father of five who lives in Moon, pleaded in June to filing a false income tax return and concealing assets and his business.

The tax charge relates to 2010, when he said he earned \$16,000 while really bringing in about \$194,000. He also admitted that he hid income from the doughnut company in a Chapter 7 bankruptcy filing in 2011.

Razete and his wife, Marci, founded Peace, Love and Little Donuts in 2009. The company has since expanded to include more than 20 other franchises in Pennsylvania, Ohio, Florida and Utah.

Prosecutors said Razete did not reveal the existence of the company in disclosure statements that he and his wife entered as part of the bankruptcy filing, despite the fact that the business and Razete had been the subject of news articles in the Post-Gazette and other outlets.

Razete had attracted attention because his company advertised itself as a hippie-inspired business while he railed online against President Barack Obama, gays and abortion.

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3. Wahoo man given probation for false tax filing

WOWT-NBC6

Omaha, Neb.

Dec. 9, 2016

LINCOLN, Neb. (WOWT) -- Kent Jay Trembly, 61, of Wahoo, has been sentenced to two years of probation, including 6 months of house arrest, for filing a false federal tax return.

In addition to his probation, Trembly is required to pay \$110,374.58 in restitution to the Internal Revenue Service.

Authorities say In February, 2009, Trembly filed a Form 1040 for the year 2006 with the Internal Revenue Service. That return was verified and signed by Trembly with a written declaration that it was made under the penalties of perjury.

The Form 1040 signed by Trembly failed to indicate Schedule C income and gross receipts from his business activity, involving legal, veterinarian, supplement sales, and/or investment broker businesses, during the calendar tax year of 2006. This omission resulted in Trembly failing to report gross receipts of \$1,110,982.77 and resulted in a reduction of business income of approximately \$188,611 and a determined tax loss to the United States of approximately \$50,507.

Additionally, Trembly filed a Form 1040 for the tax year 2007, which also failed to indicate Schedule C income and gross receipts on that tax return. That failure resulted in a reduction of business income of approximately \$203,493.56 and a determined tax loss to the United States, of approximately \$59,867.58.

"No matter what the source of income, all income is taxable," said Karl Stiften, Special Agent in Charge of IRS Criminal Investigation. "The prosecution of individuals who intentionally conceal income and evade taxes is a vital element of the IRS' enforcement strategy."

This case was investigated by the Internal Revenue Service.

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4. Former SunTrust teller latest sentenced in \$24 million tax refund scam

Ledger-Inquirer

Columbus, Ga.

Dec. 8, 2016

A former Columbus bank teller was sentenced to more than three years in federal prison on Thursday for her role in the criminal conspiracy to steal money from the IRS in a \$24 million tax return scam.

Tonya Alexander, who worked for SunTrust Bank in Columbus for 20 years, was sentenced to 37 months by U.S. District Court Judge Clay Land in the Columbus federal courthouse.

Alexander, 45, was indicted in May and charged with one count of conspiracy to commit theft of public money and 10 counts of theft of public money. She pleaded guilty to the theft of public money charge and the others were dismissed by Land as part of a plea agreement. Land's sentence was at the bottom end of the federal sentencing guidelines, which called for 37 months to 46 months.

Alexander did not address the court when Land gave her the opportunity. Her attorney, Jennifer Curry, told the court that Alexander approached the sentencing with a "heavy heart."

"She did not know the nature of the checks in the beginning, but they kept coming and kept coming," Curry told the court. "Once she figured out they were fraudulent, she did cash more checks."

Between June 2012 and December 2013, Alexander worked as a bank teller at the SunTrust main branch in downtown Columbus, according to the indictment. She was allegedly approached by several co-conspirators who wanted her to cash fraudulently tax refund checks in exchange for a fee. The income tax refunds were generated by tax returns filed using stolen identities. It is also alleged that Alexander

recruited another bank teller to assist her in cashing the fraudulent checks. In total, Alexander and her co-conspirators are alleged to have cashed more than 500 tax refund checks that fraudulently claimed more than \$1 million in tax refunds.

Alexander was personally responsible for cashing more than 300 checks totaling \$606,008.30, said prosecutor Michael Boteler, a trial attorney from the Department of Justice Tax Division in Washington. In addition to the prison time, Land also ordered Alexander to pay restitution to the IRS in that amount.

Alexander's SunTrust co-worker Vicky Wheeler, 55, was sentenced by Land to 18 months in prison in May. Wheeler cashed approximately 361 fraudulent tax refund checks that claimed \$780,760.17 in tax refunds.

Wheeler's prison sentence is less than half of Alexander's time. During Thursday's hearing, Boteler told the court that Wheeler testified in front of the grand jury against Alexander.

Alexander, a Phenix City resident, was part of a vast criminal conspiracy centered in the Chattahoochee Valley. At least a dozen people have been previously sentenced in connection with the scheme.

- Newnan, Ga., resident Keisha Lanier, the ringleader of the plan, was sentenced in September 2015 by U.S. District Court Judge Kristi K. DuBose of the Southern District of Alabama to serve 15 years in prison to be followed by three years of supervised release and ordered to forfeit \$5.811 million.
- In May 2015, Tamika Floyd of Phenix City was sentenced in the Southern District of Alabama to more than seven years in prison.
- In June 2015, Tamaica Hoskins of Phenix City was sentenced in the Southern District of Alabama to more than 12 years in prison.
- In August 2015, eight people connected in the conspiracy were sentenced in the Southern District of Alabama:
 - Tracy Mitchell of Phenix City was sentenced to serve 159 months in prison, three years of supervised release and ordered to pay a forfeiture judgment in the amount of \$329,242, which was seized in cash from her residence.
 - Talarius Paige of Phenix City was sentenced to serve five years in prison, three years of supervised release and ordered to pay \$762,512 in restitution to the IRS.
 - Mequetta Snell-Quick of Columbus was sentenced to serve two years and one day in prison, two years of supervised release and ordered to pay \$199,471 in restitution to the IRS.
 - Latasha Mitchell of Phenix City was sentenced to serve three years in prison, two years of supervised release and ordered to pay \$513,821 in restitution to the IRS.
 - Dameisha Mitchell of Phenix City was sentenced to serve more than five years in prison, three years of supervised release and ordered to pay \$440,176 in restitution to the IRS.
 - Sharonda Johnson of Phenix City was sentenced to serve two years in prison, two years of supervised release and ordered to pay \$440,176 in restitution to the IRS.
 - Patrice Taylor of Columbus was sentenced to serve one year and one day in prison, two years of supervised release and ordered to pay \$28,783 in restitution to the IRS.
 - Cynthia Johnson of Phenix City was sentenced to two years of probation and ordered to pay \$5,047 in restitution to the IRS.
- In January, Sawan "Sunny" Shah was sentenced to 21 months in federal prison on one count of operating an unlicensed money transmitting business. Shah and his convenience store businesses were cashing fake income tax checks for a fee.

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5. Woman ordered to pay \$600,000 over BP oil-spill scam

Miami-Herald

Miami, Fla.
Dec. 7, 2016

A Stock Island woman sentenced to four years in prison for defrauding the huge fund set up by BP to help those suffering from the 2010 Gulf of Mexico oil spill must pay more than \$600,000 in restitution, a judge ruled.

Caridad Rioseco Alejandre, 51, pleaded guilty to one count of mail fraud in April after her father Raul Rioseco, 74, had already admitted to the same crime and was sentenced to one year and one day in prison.

Raul Rioseco, a retired fisherman, was also ordered to pay \$144,606 in restitution, though the daughter and father received only \$35,900 and \$55,00, respectively, from the Gulf Coast Claims Facility set up by BP.

He is serving his time at a federal halfway house in Miami, while his daughter is at the Miami federal detention center.

The Riosecos helped hundreds of Key West-area residents file false claims in an attempt to bilk the fund of \$1.5 million but the actual amount paid to them was \$607,566, according to the U.S. Attorney's Office for South Florida.

"Despite the fact that none of the individuals had suffered the claimed losses," the office said in a statement Tuesday.

After a hearing Nov. 30 in Key West, U.S. District Court Judge Jose Martinez decided Friday that Alejandre owes the \$607,566 for having filed false claims on behalf of others. The judge also gave Alejandre three years of supervised probation once she is released from federal prison and ordered she immediately pay a lump sum of \$100 in restitution.

Alejandre was never a certified accountant but she worked for years preparing people's tax returns and handling immigration paperwork.

To defraud the Gulf Coast Claims Facility, a \$20 billion trust fund, Alejandre provided false tax return documents and employment verification letters claiming losses from the oil spill disaster, which began with an explosion and sinking of the Deepwater Horizon drilling rig on April 20, 2010, killing 11 workers.

When the well was finally capped July 14, 2010, at least 3.19 million barrels of oil had leaked into the Gulf.

Alejandre was arrested in September 2015 and released in mid-October on a \$250,000 bond. But she was ordered back to jail in late April after she tested positive for cocaine.

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6. Watchdog Update: 'Bring it on felon' pleads guilty

Milwaukee Journal Sentinel

Milwaukee, Wisc.
Dec. 7, 2016

Todd Dyer, the Lake Geneva felon who has taunted federal prosecutors for years, once challenging them to "bring it on," threw in the towel Wednesday when he pleaded guilty to four fraud counts in plea bargains in which prosecutors are expected to recommend he serve 14 to 17 years in prison.

"Considering the charges and his plea, we view this as essentially an unconditional surrender," said Joseph Wall, an assistant U.S. attorney who prosecuted Dyer, a twice-convicted felon. Dyer was charged with masterminding a scheme that scammed about two dozen investors out of more than \$1.5 million.

Dyer was defiant last year when he was indicted on 31 fraud counts for selling interests in companies that were to use the money to buy farmland, but actually never purchased a single acre. Dyer, who had twice before been convicted of fraud, boasted that he would be vindicated of the new charges at trial.

"I'm going to blow Joe Wall out of court," Dyer boasted. "Wall is going to look like the biggest moron who ever walked on this Earth."

On Tuesday, Dyer was more reticent, quietly acknowledging his guilt in two separate fraud indictments when he was questioned by U.S. Magistrate Judge David Jones. The magistrate said he would recommend that Dyer's guilty pleas be accepted by the District Court judges.

Asked by a reporter why he suddenly decided to plead guilty, Dyer replied "no comment" as he hustled out of the small courtroom filled with about a half-dozen victims of the scheme. The Wednesday plea was the third time Dyer — who has had run-ins with securities regulators and law enforcement dating back to 1993 — pleaded guilty to fraud. In 1999, he was sentenced to 70 months in federal prison and ordered to pay \$2.4 million restitution for running a Ponzi scheme. Wall also prosecuted that case. Dyer was ordered to pay an additional \$389,970 in 2004 when he was convicted of securities fraud in Illinois.

His latest guilty plea came on what was to be Day 3 of a jury trial in which Dyer was representing himself.

The first two days were marked by witnesses repeatedly telling Dyer — who was questioning them on cross-examination — that he had stolen their money. All of the victims testified that they knew Dyer as "Allen Todd," an alias he used to prevent investors from discovering his criminal record.

"You stole my money," Phan Doan, a 65-year-old grandmother, repeatedly told Dyer as he attempted to question her on Tuesday.

At one point, Doan broke down in tears when she saw Dyer sitting at the defense table. To help her continue her testimony, Wall suggested she look at him and not Dyer.

The investigation of Dyer and his lengthy record of run-ins with law enforcement and securities regulators was first reported by the Journal Sentinel in 2013. The story detailed how Doan, who owned a Lake Geneva nail salon, lost \$75,000 to Dyer.

There were courtroom fireworks Tuesday afternoon when Dyer questioned Trent Griffith, an Illinois farmer who invested \$153,000 with Dyer and briefly worked as president of one of Dyer's farmland companies. Dyer asked Griffith whether he returned his \$10,000 signing bonus after quitting a few weeks after being hired. Griffith snapped: "Why would I? ... I gave you \$153,000 and you stole it."

When Dyer continued questioning Griffith, he looked at Wall, who was seated at the prosecutor's table, and said, "Joe, I'm not going to answer any more of this bullshit."

Prosecutors charged that Dyer and Nicholas Hindman, an Illinois accountant who falsely claimed he was a CPA, had deliberately misled investors into buying into Midwest Farmland Properties and related entities after promising investors a 6% return. In addition, witnesses testified that Dyer promised them a financial

bonanza when one of the companies went public. Dyer repeatedly promised the initial public offering would occur in 2011, witnesses testified.

Hindman pleaded guilty to two felony counts on Monday.

Charles Rea, a South Dakota man who used to own a seed company, testified that Dyer told him the company had nearly \$5 million in an escrow account and needed just \$150,000 more before it could have an initial public offering.

Rea invested \$63,000 and planned to ultimately invest \$150,000. Those plans were changed when he got a call from a fellow investor who told him that the man he knew as Allen Todd was not Allen Todd.

"His name is Todd Allen Dyer," Rea's friend told him. "He's already been in prison for fraud." Asked his reaction, Rea said, "I'm in a courtroom, I won't give my reaction. It wasn't pleasant."

In his opening statement, Wall told the jury there was a simple reason none of the Dyer companies purchased farmland, as he had promised investors they would.

"They didn't do these things because (the businesses) were just shells," Wall said during his opening statement to the jury on Monday. "... They were successful in only one thing — bringing in investor funds and then spending it."

Wall told the jury the money collected by Dyer and his associates stayed with them. "It turned into a piggy bank for Todd Dyer," Wall said, adding that \$33,762 was spent at the Vegas Gentleman's Club in Walworth County. Another \$169,000 was taken by Dyer "in cash — you can't trace it," Wall said.

Dyer responded to Wall's opening statement by telling the jury, "That was ugly."

Dyer acknowledged his felony record and asked the jury whether it thought "I was dumb enough to do the same thing again, or was I targeted."

During his examinations of witnesses, Dyer repeatedly had them read the prospectuses they received before investing and argued that the risks were stated in the documents. He also argued that the prospectuses did not promise a guaranteed return.

A letter he sent to potential investors, however, promised a "6% fixed annual minimum return." Those letters were signed by "Allen Todd, investor relations."

In his deal, Dyer also pleaded guilty to a scheme in which prosecutors charged he had scammed an Illinois family out of nearly \$1 million after telling them his father, a well-known Lake Geneva insurance agent, had stolen the family's life insurance policy and made himself the beneficiary.

Dyer is scheduled to be sentenced in March.

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7. McCrory seeks to withdraw guilty plea in prison corruption

The Mississippi Link

Dec. 9, 2016

JACKSON, Miss. (AP) – A former Mississippi lawmaker says he wants to withdraw his guilty plea in a prison corruption case.

In papers filed Thursday in federal court in Jackson, Cecil McCrory says he is innocent and is asking for a jury trial.

McCrory's current attorney, Carlos Tanner, says McCrory received ineffective representation from his first attorney. Tanner says prosecutors still have not given McCrory all documents needed to prepare his defense.

McCrory, a former state House member, operated a business with prison contracts. He pleaded guilty to one count of money laundering conspiracy and faces up to 20 years in prison. He's also forfeiting \$1.7 million in assets.

Former Corrections Commissioner Christopher Epps also pleaded guilty to money laundering and filing false tax returns, and awaits sentencing.

Several others have been charged.

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8. FLDS member to take plea deal in food stamp fraud case

KSTU-Fox 13

Salt Lake City, Utah

Dec. 8, 2016

SALT LAKE CITY -- At least one member of the Fundamentalist LDS Church accused in a massive food stamp fraud and money laundering scheme will take a plea deal, his attorney confirmed to FOX 13.

"There has been a plea offer made by the United States government," said Rudy Bautista, the attorney for Kimball Barlow. "Mr. Barlow has accepted it."

Barlow is among 11 members of the Utah-based FLDS Church who were indicted by a federal grand jury on food stamp fraud and money laundering charges. They're accused in a conspiracy where faithful members of the church were ordered to hand over Supplemental Nutritional Assistance Program (SNAP) benefits to leadership, to do with as they wished. Federal prosecutors have claimed the scheme exceeds \$12 million in taxpayer money.

Barlow has signaled to the government he will take the deal that avoids a potential federal prison sentence. Restitution and any fines are still up in the air.

"As it is anticipated, he will enter a guilty plea of a charge of conspiracy to commit fraud as a misdemeanor," Bautista said in an interview Thursday with FOX 13. "The terms from there are, in addition to pleading to that, there would be no incarceration."

Bautista said he was told all defendants -- except fugitive FLDS leader Lyle Jeffs -- have been offered deals. Jeffs remains on the run after absconding from home confinement earlier this year. FOX 13 first reported the FBI believes Jeffs used olive oil to slip out of a GPS monitoring device.

Lyle Jeffs is the brother of imprisoned polygamist leader Warren Jeffs, who is serving a life sentence in a Texas prison for child sex assault related to underage "marriages." (Warren Jeffs has been considered an unindicted co-conspirator in some court filings.)

The U.S. Attorney's Office for Utah would not comment on any plea deal negotiations under way. No hearings have been scheduled yet, but the case is scheduled to go to trial in January.

Talks apparently started after a federal judge rejected defense motions to dismiss the indictment on First Amendment religious freedom grounds. The FLDS defendants claimed a religious freedom right to consecrate their property -- including food stamp benefits -- to the church. The judge refused to dismiss the indictment, but allowed the defense to bring the religious freedom issue up at trial.

Bautista said the case was very complicated with numerous defendants raising numerous constitutional issues.

"Sometimes, when you're looking at the overall picture and all the difficulties and the religious issues in this case, and whether anyone had direct knowledge or indirect knowledge, it's a reasonable way to resolve the case," he said.

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9. Food Stamp Fraudster Caught After Fleeing to the Middle East for 22 Years Sentenced

Plain Dealer
Cleveland, Ohio
Dec. 8, 2016

CLEVELAND, Ohio -- A local food stamp fraudster who pleaded guilty to federal charges in the mid-1990s, fled to the Middle East and was captured again in June was sentenced Thursday to 4 1/2 years in federal prison.

Najeh Ottallah's sentence would likely have been between 21 and 27 months in prison had he stayed in the U.S., accepted his punishment and cooperated with the government, U.S. District Judge Nugent said.

Ottallah is also required to pay more than \$3.5 million in restitution to the U.S. Department of Agriculture and the IRS as part of his sentence.

The 54-year-old co-owned the Quincy Eagle Super Market on Quincy Avenue in Cleveland. He and his brother Mahmoud Ottallah were charged with illegally redeeming food stamps for cash and other violations.

Najeh Ottallah pleaded guilty to three food stamp fraud charges in one of the first cases brought in federal court in Cleveland that targeted the abuse of the anti-poverty program.

A motion from Aug. 25, 1994 said that after he pleaded guilty, Ottallah wanted to travel to Israel for two weeks to visit his wife's family in Beit Hanina, a Palestinian neighborhood in East Jerusalem. Manos granted the request and Ottallah, a U.S. citizen with a home in Lakewood, never returned.

He was arrested on an INTERPOL warrant at a U.S. embassy in Jerusalem May 25 while trying to renew his expired U.S. passport, Assistant U.S. Attorney Karrie Howard said.

Ottallah's family sat in the viewing galley for Thursday's sentencing. Ottallah, clad in an orange jail jumpsuit, waved to them as the U.S. marshals escorted him into the courtroom.

IRS agent Dan Dever sat across from Ottallah. Dever worked on the case in the 1990s.

Defense attorney Kent Minshall said Thursday that his client fled the country because his cousin was killed and he was shot in an ambush in 1994. The shooter called Ottallah an "effing snitch," Minshall said.

"Najeh ran because he was scared for himself and his family," Minshall said. "It's not what he should have done, but it was understandable."

Ottallah also used that as his excuse on Thursday.

Howard said that information runs counter to what Ottallah said in a recent court filing, which said he was shot during a robbery of his store. Howard also said that conflicts with Ottallah's 1994 motion for permission to travel overseas.

"It's deception, deception, deception, deception, your honor," Howard said. "You have everything in here but the kitchen sink."

Nugent took it a step further, reading a letter that Ottallah wrote to Manos in 1999 that said he fled because he didn't want to remain separated from his family while in prison.

"I can't figure out what's true and what's not true with all this information here," Nugent said.

Minshall asked Nugent near the end of the sentencing to allow Ottallah to go free on bond so he could visit with family before he started serving his sentence.

Nugent said, "under these circumstances, it would be inappropriate for me to take another chance."

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10. Tax Fraud Blotter: Zapped

Accounting Today
Dec. 8, 2016

A roundup of our favorite recent tax stories:

Cranston, R.I.: Preparer **Belkis M. Guzman**, 48, has been sentenced to 36 months in prison for aiding and assisting in the preparation of false returns, wire fraud, theft of government funds, and aggravated ID theft.

Guzman is a former employee of El Centro Multiservicios, a tax prep business in Providence. Guzman was involved in two separate and distinct schemes. The first involved the preparation and presentation of false individual income tax returns on behalf of El Centro clients for tax years 2009, 2010 and 2011, on which she created, inflated and falsified dependents, exemptions, credits, deductions and expenses.

The second scheme involved the deposit of more than 100 U.S. Treasury checks into Guzman's personal checking account. The checks were generated by the filing of fraudulent individual income tax returns containing stolen personal ID information and fraudulent amounts of income, deductions and credits.

Guzman deposited more than \$800,700 in fraudulently obtained refund checks into her bank account after signing many of the checks in place of the payees who were unknown to her, and then providing a majority of the proceeds to a third party in the form of cash and personal checks. Guzman received a percentage as payment.

She pleaded guilty in September to aiding and assisting in the preparation of false tax returns, wire fraud, theft of government funds and aggravated ID theft. In addition to the prison term, Guzman was sentenced to three years of supervised release and was ordered to pay \$928,224.95 restitution to the IRS.

Loomis, Calif.: Preparer **Petr Kuzmenko**, 38, has been sentenced to six-and-a-half years in prison and been ordered to pay \$573,332 restitution to the IRS for conspiracy to defraud the U.S.

According to court documents, Kuzmenko was engaged in a tax fraud scheme with four co-defendants, including his brother, who worked as a preparer at VK Tax Services in Citrus Heights, Calif., in 2009. Between February and November of that year, Kuzmenko conspired with others to file approximately 90 fraudulent returns with the IRS.

The returns fraudulently claimed the First-Time Homebuyer Credit, which was worth as much as \$7,500. The refunds for the fraudulent claims were electronically deposited into various bank accounts controlled by Kuzmenko and his co-defendants.

The fraudulent claims totaled some \$695,724, of which the IRS paid approximately \$573,000.

Kuzmenko was previously convicted in two mortgage fraud cases and sentenced to a total of 21 years in prison for both cases. The sentence imposed in this case was ordered to run concurrent to those sentences.

Co-defendant Aleksandr Kuzmenko was sentenced to over two years in prison on Oct. 28. Valeriy Nikitchuk pleaded guilty to conspiring to defraud the United States and is scheduled to be sentenced on Dec. 16. Co-defendant Arsen Muhtarov has entered a plea of not guilty.

El Dorado Hills, Calif.: Unlicensed preparer **Barbara Antonucci** has received three years and six months in prison and been ordered to pay \$1,895,833 in restitution for conspiring to file false claims and filing false claims.

According to court documents, Antonucci and her co-conspirator, Sherry Taggart, 56, of El Dorado Hills, prepared returns for clients, and in 2008 Antonucci began a scheme to obtain false refunds by preparing and filing false claims on behalf of clients with the IRS. After May 2010, Taggart joined Antonucci's scheme and together the two conspired to prepare and file hundreds of false claims between June 2012 and March 2014, seeking refunds totaling approximately \$1.4 million.

The IRS issued more than \$757,000 in illegitimate refunds. In total, including the period in which Antonucci operated the scheme by herself, the IRS issued more than \$1.8 million in illegitimate refunds from more than \$2.5 million illegitimate claims filed during the scheme.

The fraudulent returns reported false wages and dependents for their clients and, in many cases, qualified the clients for the EITC when the client's true wages or family situation would have qualified the client for no credit or a lower credit. Most of the fraudulent returns listed wages associated with self-employment not documented by a W-2, such as "housekeeper."

The defendants obtained the names, Social Security numbers, and other personal ID information of minors and falsely listed those minors as dependents on returns for clients who were unrelated to those minors. Taggart and Antonucci also filed false claims on their own behalf.

In August, Antonucci pleaded guilty to conspiracy to file false claims and filing false claims. She was ordered to surrender to begin serving her sentence on Feb. 17. Taggart's sentencing is Dec. 9.

Gulfport, Miss.: Former tax preparer **Jeremi Washington**, owner and operator of Flash Financial, has admitted not reporting all of his income and falsifying clients' returns, according to published reports.

A federal indictment reportedly alleged that Washington under-reported his income for 2009 by \$243,906 and failed to file his taxes for calendar years 2010 and 2011. He also reportedly filed returns for clients while knowing that they did not qualify for certain deductions.

Washington faces up to 10 years in prison, a fine and restitution at his sentencing on March 1, reports said, adding that a federal grand jury indicted him on six additional counts that will be dismissed in exchange for his plea.

Everett, Wash.: **John Yin**, 66, who worked for a Canadian company that sells POS software, has pleaded guilty to wire fraud and conspiracy to defraud the government for his role in a scheme to sell "tax zapper" software.

Yin admitted that he promoted and sold a revenue-suppression software that allowed restaurants to underreport their sales and illegally lower their tax bills. The software, a.k.a. a "zapper" program, resulted in a loss of more than \$3.4 million in tax revenue.

According to case information, Yin was a salesman for Profitek, a British Columbia-based company selling POS systems for hospitality and retail industries. The company had designed, marketed, sold and supported revenue suppression software as an add-on to its Profitek software.

An RSS program deletes all or some of the business' cash transactions and then reconciles the books of the business to make them appear complete and accurate when in fact they are fraudulent in that they show less than total income earned.

Yin sold the POS software and assisted in the widespread distribution of the zipper software to dozens of customers over several years. Between 2010 and 2013, eight restaurants in the Seattle area used the software and underpaid their state and federal taxes by amounts ranging from a low of just over \$145,000 to more than \$910,000.

When the restaurant owner who underpaid taxes by more than \$900,000 was confronted about using the software, she admitted she used the unreported cash to pay some employees in cash. In addition, she did not withhold Social Security or Medicare taxes for these employees.

Wire fraud is punishable by up to 20 years in prison and a \$250,000 fine; conspiracy to defraud the government is punishable by up to five years in prison and a \$250,000 fine. Yin has agreed to pay \$3,445,589 restitution to the U.S. and Washington State and agreed to pay for the costs of prosecution. Sentencing is Feb. 24.

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Regards.

Diana Bahr
Communications Consultant
IRS Criminal Investigations
Cell: 202-774-4673

Wassenaar Russell D

From: [REDACTED]
Sent: Friday, June 12, 2015 10:08 AM
To: *CI Senior Leadership Team; *CI-HQ-INTERNATIONAL WEST Attaches; *CI-HQ-PIO; *CI-WEST ASAC; *CI-NAA ASAC; *CI-PA ASAC; *CI-NORTH ASAC; *CI-SEA-ATL ASAC; *CI-SEA-CHA ASAC; *CI-HQ-INTERNATIONAL EAST Attaches; *CI-SEA-MIA ASAC; *CI-SEA-NEW ASAC; *CI-SEA-TAM ASAC; *CI-SEA-WDC ASAC; *CI-HQ-Refund Crimes FO&P West RACs; *CI-HQ-Refund Crimes FO&P East RACs; Koskinen John A; Dalrymple John M; Cronin Edward F (Ted) - CT; Dinh Nguyen; Evans Liz E; Frank.P.Cihlar@usdoj.gov; Glenn James E; Harr Stacey M; Imhoff John H Jr; jennifer.e.ihlo@usdoj.gov; Johnson Robert; karen.e.kelly@usdoj.gov; karen.mcafee@mail.house.gov; katie.s.bagley@usdoj.gov; Lemons Terry L; Lori.A.Hendrickson@usdoj.gov; Mitchell.J.Ballweg@usdoj.gov; Mulleneaux Natasha M; Paguni Rosemary E; Pearson Yolanda; Salad Bruce M; Shawn.T.Noud@usdoj.gov; Southwell James E; Todd.A.Ellinwood@usdoj.gov; Hall Carilyn M; Bednarz Linda S - CT; Beyer James N - CT; Monica Christopher T - CT; Ineich Paul J - CT; Ramirez Victor A - CT; Rappazzo Richard A; Taylor Brad - CT; Pietrofeso Richard J - CT; Philcox Crystal; Jason.H.Poole@usdoj.gov; Lunger Richard - CT; Arora Vikas K; Hellerman George P; Lemons Terry L; Eldridge Michelle L; Caroline.D.Ciraolo@usdoj.gov; Larry.J.Wszalek@usdoj.gov; Brodi.Fontenot@treasury.gov; Kody.Kinsley@treasury.gov; Luthra Veena - CT; Brown Charlotte Anne; Burke Anthony; Stanish Paul S; Asper Damon C
Subject: IRS Criminal Investigation Daily News for June 12, 2015

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Wall Street Journal – June 11, 2015

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FULL TEXT ARTICLES

1. Leaders of violent loan sharking ring sentenced to prison

Westmoreland Times

Philadelphia, Pa.

June 11, 2015

PHILADELPHIA, PA — The leaders of a violent loan sharking and illegal gambling ring that operated out of several Philadelphia businesses were sentenced today to serve 168 months and 147 months in prison, announced Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division and U.S. Attorney Zane David Memeger of the Eastern District of Pennsylvania.

Ylli Gjeli, 49, and Fatimir Mustafaraj, also known as Tony, 42, both of Philadelphia, were previously convicted following a six-week jury trial of engaging in a racketeering conspiracy, collection of unlawful debts, extortion and illegal gambling. Two other defendants were convicted of various related charges in the same trial and are scheduled to be sentenced at a later date. Gjeli and Mustafaraj were sentenced today by U.S. District Court Judge William H. Yohn Jr. of the Eastern District of Pennsylvania.

According to evidence presented at trial, the defendants' enterprise used businesses in Philadelphia, including the Lion Bar & Grill, Blackbird Café and Ylli's 2 Brothers, to conduct the illegal loan sharking and gambling activities. The enterprise generated money by making and collecting on loans with usurious rates of interest, and making loans to customers whose debts were incurred through the enterprise's illegal gambling business. The evidence established that from October 2011 to 2013 alone, the enterprise extended 125 usurious loans totaling \$1.78 million with annual interest rates ranging from 104 percent to 395 percent. Further, the evidence established that from February 2007 to August 2013, the organization's online sports betting website contributed more than \$2.9 million in gross profits.

The evidence showed that members and associates of the enterprise cultivated their reputations within the organization by threatening customers with dangerous weapons such as firearms and a hatchet, threatening to kill, assault or "break the legs" of delinquent customers if they did not pay their debts, and physically assaulting subordinate members and associates who stole from the organization.

According to the evidence presented at trial, Gjeli was a "boss" of the multi-million dollar criminal organization. Mustafaraj served as "muscle" to forcefully collect debts owed to the organization. Both defendants directed the other members in the loan sharking activities and illegal gambling business, financed loans and the gambling operation, used intimidation and threats of violence against customers to collect loan payments, and physically assaulted subordinate members and associates who stole from the organization.

The evidence also demonstrated that the defendants attempted to conceal the existence and operations of the enterprise from law enforcement by limiting their discussions of criminal activities when on the phone, using cryptic and coded language to describe criminal activities, conducting pat-downs and body searches of customers to check for weapons and recording devices, and conducting the enterprise's transactions primarily in cash.

Five co-defendants who previously pleaded guilty are awaiting sentencing.

The case was investigated by the FBI, Internal Revenue Service-Criminal Investigation, the Pennsylvania State Police, Montgomery County, Pennsylvania, Detectives and the New Jersey State Police. The case is being prosecuted by Trial Attorney Margaret Vierbuchen of the Criminal Division's Organized Crime and Gang Section and Assistant U.S. Attorneys Salvatore L. Astolfi and Jerome Maiatico of the Eastern District of Pennsylvania.

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2. Carmichael man sentenced to prison for selling unregistered securities

Federal authorities say investors lost \$2.5 million to \$7 million in real estate investment program
By Cathy Locke

Scramento Bee

Scramento, Calif.

June 11, 2015

The head of a Sacramento real estate investment firm has been sentenced to eight years in prison for selling unregistered securities that federal authorities say resulted in millions of dollars in losses for a number of investors.

Akbar Bhamani, 61, of Carmichael was sentenced Thursday by U.S. District Judge Troy L. Nunley for two counts of selling unregistered securities. He was sentenced to 49 months on one count and 48 months on the second count, to be served consecutively, according to a U.S. Attorney's Office news release. Judge Nunley also ordered Bhamani to pay restitution, the amount of which will be determined at a later proceeding.

According to court documents, Bhamani was the founder and chief executive officer of Heaven Investment Holding Corp., a Sacramento firm that was family owned and operated. From February 2007 to August 2008, Bhamani and his employees solicited investors to participate in its investment programs, including the Tenants in Common, or TIC program. The TIC program was to use investor money to develop four properties, including a hotel in Oakland.

Heaven Investments Holding Corp. sold fractionalized ownership interests to investors in each of the properties. These fractionalized interests qualified as securities, which Bhamani never registered with the federal Securities and Exchange Commission. Authorities said investors lost between \$2.5 million and \$7 million.

The remaining defendants have pleaded guilty and await sentencing.

The case resulted from an investigation by the FBI and the Internal Revenue Service – Criminal Investigation.

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3. Fox gets three years in prison

The Valley Breeze

Lincoln, R.I.

June 11, 2015

PROVIDENCE – Former House Speaker Gordon Fox will go to federal prison for three years after U.S. District Court Judge Mary Lisi on Thursday accepted terms of his plea agreement on charges of bribery, wire fraud, and filing a false tax return.

Lisi accepted a reduced sentence based on Fox waiving indictment, consenting to the evidence against him, and waiving the statute of limitations on the bribery charge.

Fox said after the sentencing that he brought the punishment on himself with his actions and he has no excuse or justification for his actions.

"I committed illegal acts and I'm very sorry for it," he said.

Fox pleaded guilty in March to accepting a \$52,000 bribe from the owners of the Shark Sushi Bar and Grill to help get the Providence restaurant a liquor license. He also admitted to spending \$108,000 of his campaign funds on personal expenses and then filing a false tax return.

The disbarred attorney must surrender to prison on July 7.

At sentencing, Lisi also ordered Fox to serve two years supervised release upon completion of his prison term, and to pay \$109,000 in restitution. Fox pleaded guilty on March 3 to wire fraud, bribery and filing a false tax return.

An 18-month federal grand jury investigation led by prosecutors from the U.S. Attorney's Office and the Rhode Island Attorney General's Office, and investigators from the FBI, IRS and Rhode Island State Police, included the execution of search warrants at the former speaker's home and State House office in March of 2014, the issuance of more than 200 subpoenas, the examination of more than 36,000 bank, government, personal, and campaign records belonging to Fox, and forensic examinations of numerous computers and other electronic devices.

"It is a great irony that the man in Rhode Island once most responsible for securing the passage of laws somewhere along the way decided he no longer needed to follow them," said U.S. Attorney Peter Neronha in a statement. "And the laws former Speaker Fox chose not to follow were not just any laws, but rather laws designed to ensure the integrity of the legal and political process. In short, he violated his oath to the people of Rhode Island. He promised to do their business, not his own. His failure to keep that promise has brought him down today, and deservedly so."

Neronha thanked investigators for their "outstanding work," saying they "secured justice and ensured that Rhode Island can chart a new path forward. Hopefully, Rhode Island can take advantage of it."

Attorney Gen. Peter Kilmartin noted that Fox is not the first public official that his office and Neronha's have jointly prosecuted.

"While we can all hope it's the last time we prosecute a public official, unfortunately history has taught us that it will happen again," he said. "But, let this serve as a warning to all public officials in this state, whether they are the speaker of the House or a local board member, if you break the law, violate the trust the voters put in you, and abuse your office, you will be held accountable. You can be assured, as can the public, that we stand together, as federal and state prosecutors, with a single purpose, and will continue to work with our prosecutorial and law enforcement partners to ensure justice prevails."

At the time of his guilty plea, Fox admitted to the court that from February 2008 until March of 2014, just prior to the execution of federal search warrants, he repeatedly used money received from campaign donors to pay for personal expenses. After transferring the money from his campaign accounts to his personal accounts, he used the money to pay the mortgage on his home, the loan payments on his car, and the balance on his personal American Express card, which he used to make purchases at various retail outlets. He admitted that in order to conceal his fraudulent conduct, he falsified his mandatory Rhode Island Board of Elections filings.

Fox admitted to the Court that in 2008, while serving as an appointed member and vice-chairman of the Providence Board of Licenses, he accepted a \$52,000 bribe from the owners of Shark Bar to help secure a liquor license for the establishment. At the time, there was considerable neighborhood opposition to the application. At a hearing in August 2008, Fox, pursuant to his agreement with the Shark Bar partners, spoke in detail about why the license should be awarded, and moved the board to approve the Shark Bar's application. The board voted to approve the Shark Bar's application.

Additionally, Fox admitted to the court that for the tax years 2008 through 2012, he filed false tax returns, in that he knowingly omitted personal income he received as a result of his receipt of the bribe in 2008 and his fraudulent transfers from his campaign accounts to his personal accounts.

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4. Man gets 4 ½ years in \$1.2M stolen identity tax refund scheme

The News Journal

Wilmington, Del.

June 11, 2015

An identity thief in a scam ring, which used more than 600 stolen identities to file fake tax returns and get \$1.2 million in fraudulent refunds, has been sentenced in U.S. District Court in Wilmington s been sentenced to 4 1/2 years in prison.

James Ekeke, 26, of Georgia, also was ordered to pay full restitution for his role in the scheme, which filed more than \$4 million in bogus claims.

The second person involved to admit guilt, he also faces deportation to his native Nigeria after his prison term, U.S. Attorney Charles M. Oberly III, said in a statement.

A third – 25-year-old Victor Kwabenda Adofo Asante, aka. Victor Asante, formerly of Newark – pleaded guilty Thursday to false claims conspiracy and bank fraud conspiracy.

U.S. District Judge Leonard P. Stark sentenced Ekeke on Wednesday on federal charges of false claims conspiracy and access device fraud, to which he pleaded guilty in February.

When Stark sentences Asante in October, he faces up to 30 years in prison, \$250,000 fine and five years' post-release supervision.

Ekeke got involved in the scheme within months of arriving in the United States, Oberly said. Ekeke personally was responsible for buying and supplying more than 600 stolen identities, filed many bogus tax returns himself and got "a significant portion of the proceeds," he said.

Beyond cheating the U.S. Department of Treasury of the taxpayer funds, those whose identities were used suffered from their personal information being compromised.

"The losses to the identity theft victims are hard to quantify," Stark said.

Oberly called Ekeke's sentence "gratifying."

"The American public, the ultimate victims in schemes like this need to know that defendants who engage in activities such as this will be prosecuted as felons and incarcerated," Oberly said in a statement. "This District is committed to vigorously prosecuting defendants like Mr. Ekeke and Mr. Asante."

The pair "demonstrated a blatant disregard of the integrity of the United States tax system and caused immeasurable hardship to innocent victims," Akeia Conner, IRS Criminal Investigation Special Agent in Charge, Philadelphia Field Office, said in a statement.

The cases prosecuted by Assistant U.S. Attorney Lauren Paxton resulted from ongoing investigation by the Internal Revenue Service Criminal Investigation, U.S. Postal Inspection Service and the Social Security Administration Office of the Inspector General.

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5. Billings man sentenced in large, California-based meth conspiracy

Billings Gazette

Billings, Mont.

June 11, 2015

A Billings man who helped distribute methamphetamine in a large California-based conspiracy will spend three years in federal prison.

U.S. District Judge Susan Watters on Thursday sentenced David Lee Barnard Jr., 44, to the term, which was a significant reduction from an initial guideline range of 97 months to 121 months. The range was reduced based on motions from the government.

Watters said Barnard had a minimal criminal record and wasn't in the conspiracy for a long time, but that he did possess a firearm. She also noted he has remained clean and sober without treatment for about a year while the case has been pending.

Barnard said he wanted to put the episode behind him.

Barnard pleaded guilty in January to conspiracy to possess and distribute meth and to conspiracy to launder money.

Barnard was among about a dozen Montana and California residents charged with trafficking meth to Billings and Roundup for further distribution in Eastern Montana and in the Bakken oil fields.

One of the leaders, Jason Neel, who is serving a life term for murder in a California state prison, helped run the conspiracy using smuggled cell phones. He is awaiting sentencing. Investigators learned through wiretaps that another co-defendant, Casey Patrick Fleming, of Taft, Calif., had shipped meth to David and Kirsta Goffena's residence in Roundup and discussed the shipments with the couple and with Barnard.

Barnard picked up meth from the Goffena's residence, distributed it and deposited the proceeds into Fleming's bank account. He also distributed meth to an undercover agent on one occasion in February 2014.

Barnard told the judge earlier he met Fleming through another co-defendant, Brandon Scott Robey, and agreed to distribute meth for Fleming. Robey was sentenced to 30 months for his role in the case, while Fleming was sentenced to 10 years.

Kirsta Goffena was sentenced to time served of 26 days and to three years of supervised release. Her husband is awaiting sentencing.

Also this week, Watters sentenced Heatherlynn Kyrie Fore, of Taft, Calif., to nine months in prison for her role in the case. Fore, who pleaded guilty to a conspiracy count, shipped meth from California to Montana as instructed by Fleming, the prosecution said.

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6. Former Duquesne man sentenced 20 years in prison for role in cocaine ring

In open court, AUSA Lenhart commended IRS-CI Retired Agent Ed Reiser and current agent Petrulak
By Brian Bowling

Pittsburgh Tribune Review

Pittsburgh, Pa.

June 11, 2015

A former resident of Duquesne who started his criminal career when he was 12 years old will spend 20 years in prison for his key role in a local drug ring, a federal judge ruled Thursday.

A federal jury in June 2014 convicted Robert Russell Spence, 40, on two conspiracy accounts involving cocaine dealing and money laundering.

U.S. District Judge David Cercone also sentenced Spence to five years of probation. Spence was the main link between a cocaine supplier in California and a network of local dealers, prosecutors said.

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7. Former Owner of Madison Wholesale Distributor Pleads Guilty To Wire Fraud and Money Laundering

US Official News

June 10, 2015

Scott Lumley, 47, of Hendersonville, Tennessee, pleaded guilty yesterday to wire fraud and money laundering, announced David Rivera, United States Attorney for the Middle District of Tennessee. Lumley was the owner of Bluebuyyou, a wholesale distributor company based in Madison, Tennessee.

During a hearing before U.S. District Court Chief Judge Kevin H. Sharp, Lumley admitted making misrepresentations to a customer to which Bluebuyyou had sold a large quantity of Red Bull energy drink for \$176,000. Lumley acknowledged that he falsely told the customer that Red Bull had been shipped to an agreed-upon location in Texas and that he provided forged bills of lading. Bluebuyyou, in fact, had not shipped any Red Bull to the customer and did not possess a sufficient quantity of the product to satisfy the sale. Lumley also admitted that a Bluebuyyou employee pretended to be a trucking dispatcher involved in the shipment of Red Bull and falsely reported to the customer that Red Bull had been shipped to Texas.

Lumley faces up to 20 years in prison in connection with his wire fraud conviction, and up to 10 years in prison in connection with his money laundering conviction. He will be sentenced by Judge Sharp on September 18, 2015. Lumley has agreed to pay full restitution to the defrauded customer.

The case was investigated by the Federal Bureau of Investigation and the Internal Revenue Service-Criminal Investigation. The case is being prosecuted by Assistant U.S. Attorney William F. Abely.

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8. Grand jury responds to felon's bravado with new fraud charges

By Cary Spivak

Journal Sentinel

Milwaukee, Wisc.

June 10, 2015

Todd Dyer, the Lake Geneva felon who taunted federal prosecutors investigating him saying they should "bring it on," got his wish when a federal grand jury this week indicted him on charges of helping launch and run a \$1.5 million investment scheme.

Dyer, 51, and three co-defendants — a group that includes a Catholic priest banned from conducting public Mass — were charged with being part of a scheme that conned investors into pouring money into firms created to buy farmland. The companies, Midwest Farmland Properties and American Farmland Properties, never bought a single acre, the indictment charges — a fact confirmed by Dyer in a 2013 Milwaukee Journal Sentinel interview.

During the two-hour interview in 2013, a defiant Dyer defended his actions, virtually challenging federal prosecutors to indict him. Told Wednesday that he had been indicted on 31 counts of fraud and related charges, Dyer responded with laughter and bravado.

Dyer was "concept creator or founder" behind the farmland companies and sold investments in the firms from 2008 to 2012, the indictment states. Dyer said he had no ownership of the companies.

"I'm going to blow Joe Wall out of court," Dyer said of the assistant U.S. attorney and former Milwaukee County circuit judge who is prosecuting the case. "Wall is going to look like the biggest moron who ever walked on this Earth."

Told of Dyer's comments, Wall said: "Perhaps he (Dyer) needs to read the grand jury indictment."

Dyer said the indictment differed from his 1999 fraud conviction — a case also prosecuted by Wall. In that case, Dyer pleaded guilty for running a Ponzi scheme that bilked investors out of more than \$2 million.

"I did what they said I did" in 1999, Dyer said, adding, "but this is total bull."

The latest indictment accuses Dyer and his cohorts of collecting funds from investors in at least nine states, promising the funds would be used to purchase farmland. Radio ads stating that investors were earning interest and that farmland had been purchased by the companies were broadcast in Chicago, the indictment states.

The reality, however, is that Dyer and his associates "used the funds for personal purposes, and used the funds to further promote the scheme to defraud," the indictment states.

Among other things, the indictment states that Dyer withdrew \$169,000 in cash and used an additional \$33,763 at the Vegas Gentleman's Club in Walworth County.

To keep money flowing into the companies, Dyer and the other defendants told investors their investments would be "worthless" if they did not invest more cash, the indictment says.

Dyer's history of run-ins with securities regulators and law enforcement dates to 1993, when he was ordered by officials in Wisconsin and Georgia to stop selling unregistered securities in the states.

In addition to the 70-month sentence Dyer received in 1999 for the Ponzi scheme, an Illinois judge in 2004 sentenced him to 30 months for securities fraud but allowed the time to be served concurrently with the federal sentence. Dyer still owes more than \$2 million in restitution.

While selling investments in the farmland companies, Dyer used the alias Allen Todd to conceal his criminal past, the indictment charges.

Dyer, in the 2013 interview, confirmed he used the alias and defended the practice. On Wednesday, he said: "Lots of people use pseudonyms in business."

Also indicted on various counts were:

- Melvin Krumdick, 73, also known as "Father Mel" Krumdick, who lives in Oak Park, Ill., and was the president of Midwest Farmland Properties from 2008 to 2010. Krumdick wore "his clerical collar and represented himself as a 'retired' Catholic missionary priest even though Krumdick was dismissed from the Maryknoll Order in 1999," the indictment states. Krumdick did not return calls for comment Wednesday.
- Nicholas Hindman, 64, president of American Farmland from 2010 to 2012. The indictment charges that Hindman told potential investors he was a certified public accountant, even though his state CPA license was suspended in 1997. Hindman, of Lisle, Ill., said Wednesday that he used to tell people he was a CPA but never said he was a "licensed" CPA. He said the practice was proper.
- Tracy Bolton, 47, Lakemoor, Ill., Dyer's office manager, who the indictment charges incorporated two firms to help the fraud continue. She hung up on a reporter Wednesday.

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9. U.S. Attorney: Tomahawk woman bilks investors

MyFoxWausau

Wausau, Wisc.

June 11, 2015

MADISON (MyFoxWausau) – A 63-year-old Tomahawk woman bilked investors out nearly \$500,000 in a scheme involving internet pop-up ads, U.S. Attorney John Vaudreuil said Thursday.

Pamela Hass was indicted on 21 counts of either wire fraud or money laundering, the prosecutor said. She is to enter pleas in U.S. District Court Wednesday.

Hass promised investors a return of five to 20 times their investment but she used the money to pay personal living expenses, Vaudreuil said in a statement.

Hass sent periodic updates by email to her investors, falsely telling them the payout was coming shortly and they should stay patient, the prosecutor said.

"The indictment alleges that Hass gave a variety of excuses for delays in the payout, informing them that because of the delays, they would receive a bonus to compensate them," he said.

Assistant U.S. Attorney Daniel Graber said Hass, an insurance saleswoman, used the money for everything from paying her husband's medical bills to putting gasoline in her car to repaying loans from family members.

The scheme started in March 2007 and unraveled in October 2013 when some of the 32 victims raised concerns with investigators, Graber said.

Many of the victims were from Wisconsin, the prosecutor said.

"These were people she knew, lifelong friends, people from church," Graber said.

She promised "fantastic returns" with little risk, telling investors her internet pop-up ads venture was the next big thing, Graber said.

The maximum punishment for each count is 20 years in federal prison.

An investigation by the FBI and Internal Revenue Service led to the charges, Vaudreuil said.

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10. BVU conspiracy sentencings scheduled

Bristol Herald Courier

Bristol, Va.

June 11, 2015

Three of four defendants in the BVU conspiracy case are to be sentenced next week in U.S. District Court in Abingdon Virginia as scheduled, but sentencing for James Todd Edwards has been reset to July.

Former BVU Authority vice presidents Robert James Kelley Jr. and David Copeland are to be sentenced at 2:30 p.m., June 18 by federal Judge James P. Jones. Michael Clark, a Georgia contractor, is to be sentenced at 10:30 a.m., that same day. All pleaded guilty earlier this year to an elaborate, years-long conspiracy to defraud BVU and the federal government of more than \$1 million.

Edwards, 45, of Columbia, South Carolina, is now scheduled to be sentenced July 23 at 10:30 a.m.

A spokesman for the Department of Justice said there was nothing unusual about this one being reset.

Kelley, 61, of Lexington, Virginia, pleaded guilty to multi-object conspiracy to commit mail fraud, money laundering and to defraud the United States. Copeland, 44, of Bristol, Virginia, pleaded guilty to multi-object conspiracy to commit wire fraud and money laundering.

Prosecutors said both received thousands of dollars in kickbacks and other considerations for approving falsified invoices provided by Edwards and Clark between 2006 and 2013.

Both Kelley and Copeland could each face up to five years in prison and a \$250,000 fine. In addition, Kelley has agreed to pay a forfeiture judgment of \$165,000 and \$330,510 in restitution. Copeland has also agreed to pay a forfeiture judgment of \$50,000 and at least \$144,000 in restitution.

Clark, 63, of Colbert, Ga., pleaded guilty to one count of engaging in a conspiracy to defraud the Internal Revenue Service. He filed tax returns with the IRS for tax years 2006, 2007, 2008 and 2009 and falsely claimed and deducted the payments to Kelley Jr. as business expenses with the intention of defrauding the IRS.

At sentencing, Clark faces a maximum possible penalty of up to five years in prison and/or a fine of up to \$250,000.

Edwards pleaded guilty to a one count of engaging in a multi-object conspiracy to commit wire fraud, mail fraud, tax fraud and money laundering. He also faces one year in prison, after cooperating with investigators.

As part of their plea agreements, Clark is to pay \$110,000 in restitution and Edwards is to pay \$460,000 restitution.

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11. San Jose woman indicted on charges of filing false tax returns

Contra Costa Times

Walnut Creek, Calif.

June 11, 2015

SAN JOSE -- A San Jose woman has been charged with 32 counts of filing false tax returns, officials announced Thursday.

Yolanda Aberin Scott allegedly assisted with prepping fraudulent individual income tax returns between 2010 and 2013, according to U.S. Attorney Melinda Haag.

False items on the returns included head of household filing status, exemptions, charitable gifts by cash, medical expenses, unreimbursed employee expenses and mortgage interest deduction.

Scott is scheduled to appear June 29 in San Jose federal court.

If convicted, Scott faces a maximum sentence of three years in prison and a fine of \$250,000 for each count of filing false tax returns

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12. FYI: IRS, Tax-Preparation Firms Join Forces to Combat Return Fraud

Move comes after criminals used sophisticated strategies to steal identity data, obtain refunds

Wall Street Journal

June 11, 2015

By John D. McKinnon and Laura Saunders

The Internal Revenue Service is working with states and tax-preparation firms to find new ways to strengthen security of the tax-filing system, after criminals this year used increasingly sophisticated strategies to commit stolen-identity refund fraud.

The steps are likely to include finding better ways to validate taxpayers' identities when they file returns. The new approach also will include more sharing of broad-based data about trends in suspected identity fraud.

"We're asking every company that helps taxpayers file returns to provide us information that will add layers of security and step up their pre-refund authentication," IRS Commissioner John Koskinen said Thursday. "We're also making clear that companies need to let the IRS know if they detect any suspicious activity or refund fraud patterns."

The IRS said industry and government groups have identified several new types of data that can be shared at filing time to help authenticate a taxpayer's identity and detect potential refund fraud. Those data include the Internet address and computer associated with the return, as well as other characteristics of the transaction.

Already this year, the IRS has stopped some 3 million fraudulent filings, up about 30% from last year, Mr. Koskinen said. States also report surges in suspicious filings. Utah had more than 37,000 this year, for instance, up from 1,200 last year.

The IRS lost more than \$5.8 billion to identity-theft fraud in 2013, according to a study by the Government Accountability Office.

The attacks are growing in sophistication. In the highest-profile problem this year, criminals—possibly operating from Russia and other countries—used ID data stolen elsewhere to obtain about 100,000

taxpayers' prior-year return data from an IRS online application, the agency announced recently. Those data in some cases helped crooks defeat existing security systems and file fraudulent return claims using the taxpayers' identities.

States have reported similar problems. Intuit Inc., INTU -1.54 % the maker of TurboTax software, suspended the transmission of e-filed state tax returns for about 24 hours earlier this year after a surge of fraudulent claims for refunds. Some of the false state filings used information from 2013 tax returns.

The problems helped lead the IRS, state agencies and the tax-preparation industry to seek closer cooperation. An IRS report released along with Thursday's announcement said, "as the 2015 tax filing season progressed, it became clear that...refund fraud would continue to present significant challenges."

Two top lawmakers working on antifraud legislation said they welcomed the action. "The steps announced by the IRS today are a move in the right direction," said Senate Finance Committee Chairman Orrin Hatch (R., Utah) and Sen. Ron Wyden of Oregon, the panel's top Democrat. "The devil's in the details, and we will be carefully monitoring how the new agreements are carried out."

Participants in the effort include Intuit, H&R Block Inc., HRB 1.03 % Jackson Hewitt Tax Service Inc., Liberty Tax Service and others. Intuit CEO Brad Smith praised the "new era of active collaboration" between tax agencies and the industry.

Thursday's announcement was short on details, and the accompanying report suggested one reason is that tax authorities and industry officials don't want to make it too easy for crooks to devise a new workaround. The report said there was general agreement that a multilayered approach was needed for authenticating taxpayers' identities, and that the layers "would need to evolve as...refund fraud is ever changing."

The tax industry also will share aggregated analytical information about filings, to help the government identify patterns of fraud, the IRS said.

The groups will consider establishing a refund-fraud center to share more information between the public and private sector.

Mr. Koskinen also called on Congress to accelerate filing of W-2 and other third-party information reports that can be used to verify returns. Currently federal and state tax agencies don't receive such information until after they have paid many refunds.

Some states have already moved to accelerate such deadlines. For example, Utah and Alabama will be requiring employers to file W-2 information by Jan. 31, which is the deadline for mailing it to their workers.

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Regards

Diana Bahr
IRS Criminal Investigation
Communications & Education
1111 Constitution Ave., NW
Room 2528
Washington, DC 22024
Telephone: 202-317-3939

Wassenaar Russell D

From: Koskinen John A
Sent: Wednesday, December 30, 2015 10:14 AM
To: Elliott Nicole M
Cc: Philcox Crystal; Keyso Andrew James Jr
Subject: RE: Tax Speaker Posting

Thanks. (Upon further reflection, I have decided I'm going back to nibbling on #2 pencils.)

From: Elliott Nicole M
Sent: Wednesday, December 30, 2015 10:11 AM
To: Koskinen John A
Cc: Philcox Crystal; Keyso Andrew James Jr
Subject: Tax Speaker Posting



In what is possibly the most incredibly ridiculous announcement ever for ACA compliance the IRS on Monday reached a new low in understanding how and when tax returns are actually prepared and filed by professionals. Even I am overwhelmed on this one-I keep waiting to wake up!

News flash IRS-we prepare 100+ million tax returns from 1/20-4/15. We follow the rules. We rely on the forms that must be provided to taxpayers in a timely manner and then we work 70, 80 and even 90 hour weeks to get the returns done in time, all the while knowing we are facing a summer battle of ridiculous CP-2000 notices that are wrong 90% of the time. And now this. Read on.

Taxpayers are required to have qualified health insurance in 2015 or face a potential penalty nearly 400% larger than 2014's penalty in some cases. Proof of insurance is provided on the 1095 form series which is required to prove the insurance and which is supposed to be reported to the IRS for matching purposes. Practically speaking all preparers must obtain copies of Form 1095-A, B or C to prove insurance or face a potential penalty for lack of due diligence.

On December 28, 2015 the IRS released IRS Notice 2016-04 which delays the provision of Form 1095-B & C to taxpayers until March 31, 2016 for tax year 2015.

Yes you read that correctly-this affects the returns we will be preparing starting next week! They also announced employees may rely on information from their employer to file the returns. Applicable large employers are required to provide Form 1095-C proof of insurance to taxpayers in order to file their 2015 tax returns. Your choices as a practitioner appear to be: wait until April 1 to start filing returns; take the taxpayer's word for it and go ahead and file; or protect yourself as a professional as discussed below.

So let's see-taxpayers have to have insurance or face a penalty. Taxpayers don't know what they have but check the box that says they have insurance. Then we file the return. Then we get a CP-2000 notice (or not?) because who knows if any matching program will be working-I would guess not, or else we will face a year of CP-2000 notices the likes of which we have never seen before.

Oh by the way ACA was passed nearly 6 years ago and we still can't figure this out? Crayola Corporation must be making record profits with this group of crayon eating morons passing rules that state "1095 preparers are unable to get it done in time" These window lickers apparently have decided it is better to delay 250 million US tax returns to benefit a few businesses then to enforce the law written 6 YEARS AGO!

Our 2014 1040 manual provided a statement we suggest that every taxpayer sign stating that they have qualifying insurance for themselves, their spouses and dependents. We provide it again below now, modified and updated for 2015 returns. *Or you could wait until April 1, 2016 to start filing 2015 returns!*

ACA Requirement to Have Health Insurance

In March, 2010 President Obama signed the Affordable Care Act. One provision of the Act required that in 2015 all Americans must have qualified health insurance or face a "Shared Responsibility Payment" more commonly known as the Health Care Penalty. In order to remind you of the rules and to protect us both from future IRS liability in the event of an audit, we require all individual taxpayers for 2015 to positively affirm the following items related to Health Care. Please initial the applicable items and sign the bottom of the affirmation.

____ 1. We have provided you with all copies of Forms 1095-A, 1095-B, and 1095-C we received.

___ 2. We did not receive all Forms 1095-A because we have alternate government provided qualified health care insurance from Medicare, Medicaid, or Tri-Care that covers all members of our household.

Enter N/A if not applicable.

___ 3. We have qualified employer-provided health insurance for the entire year for our entire household.

___ 4. We have qualified other health insurance we purchased directly from an agent or insurance company for the entire year which covers our entire household.

In the event you do not have qualified health insurance for the entire year for your entire household, please provide us with the following information regarding insurance coverage for all members of your household. In the absence of the completion of items 1-4 above or item 5 below, and the absence of your providing us with information regarding an exemption from the requirement to provide health insurance we will calculate the penalty and include it with your return.

Name Period of Coverage Insurer

Signature 1 Signature 2

BY: (Print Names)

Date Date

Other News

Contact Us:

TaxSpeaker.com

4403 Hamburg Pike, Ste 2A

Jeffersonville, IN 47130

P: 812-288-1513 or 877-466-1040

F: 866-223-2696

Email: info@taxspeaker.com

*** Administrative Request: Please review your account on TaxSpeaker.com to be sure your name matches what you have on file with your PTIN and also be sure your PTIN is in your account and that it is correct. Also, please let us know at info@taxspeaker.com once you have completed a self study exam if you need your hours submitted to the IRS. ***



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Wassenaar Russell D

From: Elliott Nicole M
Sent: Wednesday, December 30, 2015 10:11 AM
To: Koskinen John A
Cc: Philcox Crystal; Keyso Andrew James Jr
Subject: Tax Speaker Posting



In what is possibly the most incredibly ridiculous announcement ever for ACA compliance the IRS on Monday reached a new low in understanding how and when tax returns are actually prepared and filed by professionals. Even I am overwhelmed on this one-I keep waiting to wake up!

News flash IRS-we prepare 100+ million tax returns from 1/20-4/15. We follow the rules. We rely on the forms that must be provided to taxpayers in a timely manner and then we work 70, 80 and even 90 hour weeks to get the returns done in time, all the while knowing we are facing a summer battle of ridiculous CP-2000 notices that are wrong 90% of the time. And now this. Read on.

Taxpayers are required to have qualified health insurance in 2015 or face a potential penalty nearly 400% larger than 2014's penalty in some cases. Proof of insurance is provided on the 1095 form series which is

required to prove the insurance and which is supposed to be reported to the IRS for matching purposes. Practically speaking all preparers must obtain copies of Form 1095-A, B or C to prove insurance or face a potential penalty for lack of due diligence.

On December 28, 2015 the IRS released IRS Notice 2016-04 which delays the provision of Form 1095-B & C to taxpayers until March 31, 2016 for tax year 2015.

Yes you read that correctly-this affects the returns we will be preparing starting next week! They also announced employees may rely on information from their employer to file the returns. Applicable large employers are required to provide Form 1095-C proof of insurance to taxpayers in order to file their 2015 tax returns. Your choices as a practitioner appear to be: wait until April 1 to start filing returns; take the taxpayer's word for it and go ahead and file; or protect yourself as a professional as discussed below.

So let's see-taxpayers have to have insurance or face a penalty. Taxpayers don't know what they have but check the box that says they have insurance. Then we file the return. Then we get a CP-2000 notice (or not?) because who knows if any matching program will be working-I would guess not, or else we will face a year of CP-2000 notices the likes of which we have never seen before.

Oh by the way ACA was passed nearly 6 years ago and we still can't figure this out? Crayola Corporation must be making record profits with this group of crayon eating morons passing rules that state "1095 preparers are unable to get it done in time" These window lickers apparently have decided it is better to delay 250 million US tax returns to benefit a few businesses then to enforce the law written 6 YEARS AGO!

Our 2014 1040 manual provided a statement we suggest that every taxpayer sign stating that they have qualifying insurance for themselves, their spouses and dependents. We provide it again below now, modified and updated for 2015 returns. *Or you could wait until April 1, 2016 to start filing 2015 returns!*

ACA Requirement to Have Health Insurance

In March, 2010 President Obama signed the Affordable Care Act. One provision of the Act required that in 2015 all Americans must have qualified health insurance or face a "Shared Responsibility Payment" more commonly known as the Health Care Penalty. In order to remind you of the rules and to protect us both from future IRS liability in the event of an audit, we require all individual taxpayers for 2015 to positively affirm the following items related to Health Care. Please initial the applicable items and sign the bottom of the affirmation.

___ 1. We have provided you with all copies of Forms 1095-A, 1095-B, and 1095-C we received.

___ 2. We did not receive all Forms 1095-A because we have alternate government provided qualified health care insurance from Medicare, Medicaid, or Tri-Care that covers all members of our household.

Enter N/A if not applicable.

___ 3. We have qualified employer-provided health insurance for the entire year for our entire household.

___ 4. We have qualified other health insurance we purchased directly from an agent or insurance company for the entire year which covers our entire household.

In the event you do not have qualified health insurance for the entire year for your entire household, please provide us with the following information regarding insurance coverage for all members of your household. In the absence of the completion of items 1-4 above or item 5 below, and the absence of your providing us with information regarding an exemption from the requirement to provide health insurance we will calculate the penalty and include it with your return.

Name Period of Coverage Insurer

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Signature 1 Signature 2

BY: (Print Names)

Date Date

Other News

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*** Administrative Request: Please review your account on TaxSpeaker.com to be sure your name matches what you have on file with your PTIN and also be sure your PTIN is in your account and that it is correct. Also, please let us know at info@taxspeaker.com once you have completed a self study exam if you need your hours submitted to the IRS.***



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Wassenaar Russell D

From: Johnston Alec S
Sent: Wednesday, August 30, 2017 9:52 AM
To: Koskinen John A; Wielobob Kirsten B; Tribiano Jeffrey J; Lemons Terry L; Oursler Leonard T; Eldridge Michelle L; Wassenaar Russell D; Walters Kathleen E; Tavenner Carolyn A; Pryde Joan A; Henry Naomi; Klonsky Amy E; Deneroff Michael; Hudson Larry D; Howell Janene G; Kerns Chris D; Lipold John A; Mack Jeanne L; Sinno Suzanne R; Migazzi Donna J; Killebrew-Ervin Michelle; Allen Sarah; Chiu Andrew S; Ortiz Guadalupe N; Onorato Corina R; Reynard Melissa L; Patterson Dean J; Leonard Catherine A; Riley Peggy E; Babcock Tracey J; Allan Cindalee; Mack Jeanne L; Hall Melissa A; Wilner Brianne M; Mccarty Linda J; Burch Stephanie C; Leas Matthew F; Keyso Andrew James Jr; Barrett Laurie L; Dugger Elizabeth A; Vanderpool Cynthia A; Khoury Mireille T; Grant Dianne; Scarafale Ryan C; Reynolds Jodie M; Hardy Mel; Gunter Valerie A; Killen Edward T; Stepter Deirdre H; Eguren Sara L; Burke Anthony; Chaffier Anthony M; Landes Scott S; Falk Carey A; Melecio Marti N; Buzzell Kathie L; Marvin Robert; Frank Darlene K; Mosblech Lawrence R; Wetzler Jeannen M; Dobyns Becki J; Brandt Thomas A; Colbert Amalia C; Ferguson Shane; Brown Barlo; Caldwell Julia W; Paul William M; Crews Craig E; Ganter Derek C; Hoiby Kristen A; Romaniello Margaret A; Thomas Georgia A; Washington Kristy; Yeskoo David R; Gillis Ursula S; Garza Gina; Brandt Thomas A; Bell E Faith; Webbers Shanna R; McIver Kevin Q (AWSS); Killen Edward T; Dugger Elizabeth A; Burnham Merlene; Dubois Alain; James Bernard; Hicks-Nash Christine; Conley Christopher J; Allen Mariana; Johnston Alec S; Brown Jessica J
Subject: C&L Daily Scan 8/30/2017
Attachments: POLITICO- Lorenzo 8.30.17.docx; WSJ Rubin 8.29.17.docx

C&L Daily Scan 8/30/2017

Media Activity

Hurricane Harvey

IRS extends filing deadline for some Harvey victims

ConsumerAffairs- "This has been a devastating storm, and the IRS will move quickly to provide tax relief to hurricane victims," said IRS Commissioner John Koskinen. "The IRS will ...

Watch out for ransomware scams, fake Hurricane Harvey charities ...

Times Record- One scheme uses impersonators of the IRS and the Federal Bureau of Investigation as part of a ransomware scam to take computer data hostage. The IRS also ...

Warning of Hurricane Harvey scams; 9/11 Day of Service ...

Daily Herald- The Internal Revenue Service issued a warning Tuesday about possible fake charity scams emerging due to Hurricane Harvey and encouraged taxpayers to ...

IRS: Beware of fake charity scams relating to Hurricane Harvey

KCBD-TV- The IRS website at IRS.gov has a search feature, Exempt Organizations Select Check, through which people may find qualified charities; donations to these ...

IRS warns of fake charity scams targeting Harvey donors

KOKI- The Internal Revenue Service says they are issuing a warning about fake charity scams concerning Tropical Storm Harvey. They say people should ...

Tax Reform

Trump to seize populist mantle for pitching messy tax overhaul

POLITICO - President Donald Trump will launch a major push for a sweeping tax overhaul with a speech Wednesday in Missouri aimed at convincing his base — and the rest of the nation ...

As Trump Renews Tax Debate, GOP Lawmakers Weigh What to Do

Wall Street Journal (attached)-President Donald Trump dives back into the tax debate on Wednesday with a Missouri speech aimed at emphasizing the need for major ...

Gary Cohn Thinks You'd Have To Be a "Moron" To Pay the Estate Tax

Vanity Fair-According to the I.R.S., in 2015 only 11,917 people filed estate tax returns, down ... "From the standpoint of getting real tax reform, which takes buy-in from both ...

Scams/Don't Take the Bait Releases

IRS Issues Urgent Warning About Ransomware Email Scam

Forbes-The Internal Revenue Service (IRS) has issued an urgent warning about a new scheme targeting taxpayers. The scheme, which IRS Commissioner John ...

Get an email with IRS and FBI emblems? It's likely a scam to take ...

Sacramento Bee-Internal Revenue Service has issued an urgent warning about a new phishing scheme that impersonates the IRS and the FBI as part of a ransomware scam ...

IRS, FBI issue warning about scam

Batesville Herald Tribune-The scam email uses the emblems of both the IRS and the FBI. It tries to entice users to select a "here" link to download a fake FBI questionnaire. Instead, the link ...

IRS Tax Tip: How to protect businesses from cybersecurity threats

The Westerly Sun-The IRS, state tax agencies and the tax industry offer important tips for how tax professionals can get started protecting their clients and their ...

IRS warns of new phishing scheme

Greensburg Daily News-The Internal Revenue Service is warning people to avoid a new phishing scheme that impersonates the IRS and the FBI as part of a ransomware scam to take ...

Urgent warning about IRS/FBI ransomware

WIBW-The scam is an email that uses the emblems of both the IRS and FBI and seems like it is written by an employee. It includes a link to download a fake FBI ...

Tax Advice

Dependency Exemptions for Live-in Lovers: Part One

Accountingweb.com-Those housing statistics also interest the IRS, because it suspects many of these individuals improperly claim dependency exemptions for their live-in lovers.

Dos and don'ts when retired parents ask for help

KSL.com-Another factor to keep in mind is that the IRS' annual gift exclusion is \$14,000 per person or \$28,000 per couple. If your financial contributions exceed that, you ...

Compliance/Enforcement

Roskam offers asset seizure amendment to appropriations bill

POLITICO (attached)- to curtail the IRS's ability to lock up taxpayers' money even though they haven't been criminally charged...

You Mailed Your Tax Return; The IRS Didn't Receive It: Who's To ...

Forbes-And when we fail to see a tax return through to completion with it's arrival at the appropriate IRS service center, there is more than just our professional ...

IRS has trouble disclosing taxes owed by ex-spouses

Accounting Today-The report pointed out that IRS information systems don't separately record or monitor joint filer requests, and there's no legal requirement for the IRS to do so.

Does failure to file constitute obstruction?

Accounting Today- "And you can go back as far as you want, even beyond the statute of limitations, if necessary, and lead up to its eventual overall effect on the IRS." The statute ...

Tax ruling provides insights on captive structures

Business Insurance-The captive made significant loans to entities controlled by the Avrahamis and only began paying claims after and IRS audit began, the ruling states. Included in ...

Sarasota man sentenced for defrauding IRS

Sarasota Herald-Tribune- A judge has sentenced a Sarasota man to prison after he pleaded guilty in April to theft of government property for filing fraudulent tax returns totaling ...

Gwinnett Woman Helped In \$5 Million Tax Scam

Patch.com-Using the documents they obtained, they filed with the IRS go get taxpayer identification numbers for the people, then created fake income tax claim forms for ...

Detroit Cleaning Company Owner Looking At Jail Time

Windsor Square- A Detroit resident, who owned a janitorial service company, pleaded guilty to obstructing the IRS and failing to file an individual tax return.

Legislative Affairs

UPCOMING MEETINGS:

On Friday, September 1, 2017, David Horton, Deputy Commissioner, TEGE; Eric San Juan (TEGE) and Tim Berger (TEGE) and Jim Glenn, Office of Legislative Affairs will brief senior staff of the House Ways and Means Committee and the Senate Finance Committee on charitable hospitals. The meeting is scheduled for 10:00 am, in room 2018 of the Rayburn House Office Building.

On Thursday, September 7, 2017, Don Fort, Chief, Criminal Investigation; Peter Trucksis, Assistant Director, Narcotics and Counterterrorism (CI); Chris Hueston, Director of Narcotics and Counterterrorism (NCT); and Larry Hudson, Office of Legislative Affairs will provide a detailed briefing on money laundering to staff of the House Financial Services Committee, Subcommittee on Terrorism and Illicit Finance. The meeting is scheduled for 2:00 pm, in room 2203 of the Rayburn House Office Building.

UPCOMING HEARINGS:

Currently, there are no hearings scheduled.

UPCOMING DISTRICT CONGRESSIONAL LIAISON BRANCH MEETINGS:

On Thursday, August 31, 2017, District Liaison, Kevin McKeon; Local Taxpayer Advocate, Tim McLaughlin; CI SAC, Joel Burman; Elizabeth Goff with IRS Systemic Advocacy; Liz Segovis with RI Legal Services; and Taxpayer Advocacy Panel member, Sue Wennermark will meet with staff of Sen. Jack Reed, Sen. Sheldon Whitehouse, Rep. David Cicilline, and Rep Jim Langevin in Providence RI. Topics to be covered include scams, self-help tools, Congressional Affairs Program and, private debt collection.

On Wednesday, September 6, 2017, Jackie Nielson, Legislative Affairs, and Local Taxpayer Advocate Barbara Bowling will meet with Congressman Steve Stivers' staff in his Hilliard, Ohio office. Discussion topics will include private debt collection, ITIN renewals, self-help tools on irs.gov, tax-related scams, and other topics of interest.

On Thursday, September 7, 2017, Jackie Nielson, Legislative Affairs, and Local Taxpayer Advocate Robert Nicks will have a joint meeting with Congressman Brett Guthrie's and Senator Rand Paul's staffs in Bowling Green, Kentucky. Discussion topics will include private debt collection, ITIN renewals, self-help tools on irs.gov, tax-related scams, and other topics of interest.

On Thursday, September 7, 2017, Jackie Nielson, Legislative Affairs, and Local Taxpayer Advocate Robert Nicks will meet with Congressman James Comer's staff in his Tompkinsville, Kentucky office. Discussion topics will include private debt collection, ITIN renewals, self-help tools on irs.gov, tax-related scams, and other topics of interest.

On Friday, September 8, 2017, Jackie Nielson, Legislative Affairs, and Local Taxpayer Advocate Deana Johnson will meet with Congressman Thomas Massie's staff in his Crescent Springs, Kentucky office. Discussion topics will include private debt collection, ITIN renewals, self-help tools on irs.gov, tax-related scams, and other topics of interest.

On Monday, September 11, 2017, Carol Dale, Legislative Affairs, will meet with Emily Hollander of Congresswoman Ann Wagner's office in Ballwin, MO. Discussion topics will include the top 10 self-help tools on irs.gov, and our resources for those participating in the sharing economy, along with any topics of interest to them.

On Tuesday, September 12, 2017, Carol Dale, Legislative Affairs, will meet with Trish Lavallo of Senator Roy Blunt's office in Clayton, MO. Discussion topics will include the top 10 self-help tools on irs.gov, and our resources for those participating in the sharing economy, along with any topics of interest to them.

On Tuesday, September 12, 2017, Carol Dale, Legislative Affairs, will meet with Brittany Holden-Smith of Senator Claire McCaskill's office in St. Louis, MO. Discussion topics will include the top 10 self-help tools on irs.gov, and our resources for those participating in the sharing economy, along with any topics of interest to them.

On Tuesday, September 12, 2017, Carol Dale, Legislative Affairs, will meet with Janna Worsham and Delilah Nichols of Congresswoman Vicky Hartzler's office in Columbia, MO. Discussion topics will include the top 10 self-help tools on irs.gov, and our resources for those participating in the sharing economy, along with any topics of interest to them.

On Tuesday, September 12, 2017, Jackie Nielson, Legislative Affairs, and Local Taxpayer Advocate Robert Nicks will meet with Congressman John Yarmuth's staff in his Louisville, Kentucky office. Discussion topics will include private debt collection, ITIN renewals, self-help tools on irs.gov, tax-related scams, and other topics of interest.

On Tuesday, September 12, 2017, Jackie Nielson, Legislative Affairs, and Local Taxpayer Advocate Robert Nicks will meet with Senator Mitch McConnell's staff in his Louisville, Kentucky office. Discussion topics will include private debt collection, ITIN renewals, self-help tools on irs.gov, tax-related scams, and other topics of interest.

On Wednesday, September 13, 2017, Carol Dale, Legislative Affairs, will meet with Josh Hurlbert of Congressman Sam Graves office in Kansas City, MO. Discussion topics will include the top 10 self-help tools on irs.gov, and our resources for those participating in the sharing economy, along with any topics of interest to them.

On Wednesday, September 13, 2017, Jackie Nielson, Legislative Affairs, and Local Taxpayer Advocate Deana Johnson will meet with Congressman Andy Barr's staff in his Lexington, Kentucky office. Discussion topics will include private debt collection, ITIN renewals, self-help tools on irs.gov, tax-related scams, and other topics of interest.

On Thursday, September 14, 2017, Carol Dale, Legislative Affairs, will meet with Mike Ussery of Congressman Billy Long's office in Springfield, MO. Discussion topics will include the top 10 self-help tools on irs.gov, and our resources for those participating in the sharing economy, along with any topics of interest to them.

On Friday, September 15, 2017, Carol Dale, Legislative Affairs, will meet with Jenni Riegel of Congressman Jason Smith's office in Rolla, MO. Discussion topics will include the top 10 self-help tools on irs.gov, and our resources for those participating in the sharing economy, along with any topics of interest to them.

Twitter: August 29, 2017

@IRSNews

#TransformationTuesday: Considering going back to school? Check #IRS Publication 970 on #tax benefits for education: www.irs.gov/pub970

Check out new features on #IRS #tax accounts tool. Get 1040 transcripts. <http://go.usa.gov/xNV7t>

Looking to reduce summertime costs? The #IRS has tips on how the Child & Dependent Care #Tax Credit may help. <http://go.usa.gov/xNJxO>

#IRS offers expanded #tax relief to #Harvey disaster area designated by @fema; extension filers have until Jan. 31. <http://go.usa.gov/xR7fa>

Received a notice or letter from the #IRS? You still have to respond timely if you don't agree. #IRSTaxTip #tax

<http://go.usa.gov/xNJxG>

Want to avoid a #truckerlife hassle? Efile #IRS Form2290: www.irs.gov/truckers

#IRSTaxTip: You can't e-file an amended #tax return, but you can get Form 1040X online: www.irs.gov/forms

#Scam claims certified letters were mailed to taxpayer, but returned to #IRS as undeliverable. <http://go.usa.gov/xNpvg>

#IRS begins issuing notices to taxpayers whose ITINs expire by end of 2017 www.irs.gov/itin #taxes #ITIN

For #IRS tax info on #jobhunting, see irs.gov/pub529 or check this #IRSTaxTip: <http://go.usa.gov/xRweT>

Learn your fundamental rights as a taxpayer w/ #IRS Publication 1, Your Rights as a Taxpayer. #IRSTaxTip

<http://go.usa.gov/xRpT7>

#DontTakeTheBait www.irs.gov/securitysummit

#IRSTaxTip: Tips to keep in mind on income #taxes and selling a home. #IRS <http://go.usa.gov/xRQ5e>

#IRS renewals now underway for any ITIN w/ 70, 71, 72 or 80 in the middle. See www.irs.gov/itin

Check an #IRSTaxTip on the #SharingEconomy & info on the #tax implications of your #gig: <http://go.usa.gov/x58pD>

Seen the SSA/IRS Reporter? It's a free resource from #IRS & @SocialSecurity for employers & #TaxPros.

<http://go.usa.gov/xRwC6>

New scheme impersonating #IRS & @FBI as part of a #ransomware scam to take computer data hostage.

<http://go.usa.gov/xR7fR>

Reminder for Aug. 31 #IRS deadline: #Bigrig truckers can efile tax Form 2290 now and #KeepOnTruckin:

www.irs.gov/truckers

#IRSTaxTip: Eight tips to protect taxpayers from #Identitytheft. #IRS #scam <http://go.usa.gov/xRPJW>

If you can't pay a #tax debt immediately, you may be able to make monthly payments to #IRS instead. www.irs.gov/opa

Remember the #IRS deadline coming up on Sept. 15 for estimated #tax payments. www.irs.gov/form1040es

#DontTakeTheBait: Learn to protect yourself & your clients from W-2 #scams. www.irs.gov/securitysummit

#IRS issues urgent warning to beware IRS and @FBI themed #ransomware #scam. <http://go.usa.gov/xR7fR>

Following @fema disaster declaration, #IRS will provide relief to affected Texas taxpayers. <http://go.usa.gov/xR7fa>

#Harvey

#IRSTaxTip: You must be able to itemize deductions to claim any gambling losses on your #tax return.

<http://go.usa.gov/xRQ5z>

#Entrepreneur, #IRS & @SocialSecurity have valuable info for your #SmallBiz or #Startup. See <http://go.usa.gov/xRwC6>

#TaxPros should monitor #IRS EFIN account to ensure others don't use it to steal data. #DontTakeTheBait

www.irs.gov/securitysummit

#Scams pretending to be the #IRS continue, the most common are phone calls and fake emails. #IRSTaxTip

<http://go.usa.gov/xRpTw>

#IRS: Full time educators/teachers may be able to deduct up to \$250 for out-of-pocket expenses

<http://go.usa.gov/x5wsd>

#BigRig truckers: efile #IRS Form2290 by August 31 and #KeepOnTruckin. www.irs.gov/truckers

If you rent out your #vacationhome, find out about #tax treatment of the rental income. #IRSTaxTip #IRS

<http://go.usa.gov/xNHTy>

A Taxpayer Bill of Rights is available from #IRS in English, Spanish, Chinese, Korean, Russian & Vietnamese.

<http://go.usa.gov/xRpT7> #TBOR

@IRSTaxPros

Tell your #Bigrig #trucker clients to efile #IRS #tax Form2290 by Thursday to #KeepOnTruckin: www.irs.gov/truckers

#TaxPros

#TaxPros: This video explains how to apply for an Employee Identification Number:

<http://youtube.com/watch?v=RANIBg>

Bogus charities attract donors trying to help disaster victims. Avoid any #Harvey #charityscam:

www.irs.gov/eoselectcheck #IRS

#TaxPros: Sept. 15 is the deadline for quarterly estimated #tax payments to #IRS: <http://go.usa.gov/x9nsr> #EFTPS

#IRS grants #tax relief to victims of Hurricane #Harvey; extension filers have until Jan. 31 to file. <http://go.usa.gov/xR7fa>

WARNING: Beware of new #IRS- and #FBI-themed ransomware #scam. Read more here: <http://go.usa.gov/xR77J>
#TaxPros

POLITICO

Roskam offers asset seizure amendment to appropriations bill

By Aaron Lorenzo,

08/29/2017 02:22 PM EDT

Rep. Peter Roskam (R-Ill.) wants to use the appropriations process to get the Justice Department to act on outstanding civil asset seizure cases.

The House is expected to consider a wide-ranging spending package, H.R. 3354 (115), after members return from recess next week, and Roskam sees it as a vehicle to force action.

He's proposed amending the appropriations legislation to get the DOJ to address a backlog of 182 cases the IRS recommended for review as of June 26. Before then, the DOJ had made decisions on 73 of 255 referrals from the IRS.

DOJ employees in the group that decides the remission and mitigation petitions — the Money Laundering and Asset Recovery section — wouldn't get bonuses under the amendment Roskam offered until they clear the backlog.

"We are not asking these people to do something extraordinary, we are asking them to do their jobs," Roskam said in a statement.

The House Rules Committee will decide which amendments get considered as part of the package of eight spending bills before the measure gets to the House floor.

But Roskam, who chairs the Ways and Means Tax Policy Subcommittee, has for years fought against wrongful asset seizures prompted by suspicions of what's known as structuring: a series of bank deposits of just less than \$10,000 in cash. He has spearheaded legislation, H.R. 1843 (115), to curtail the IRS's ability to lock up taxpayers' money even though they haven't been criminally charged, a bill that passed the House unanimously in the last Congress and unanimously advanced out of committee this Congress.

The Wall Street Journal

As Trump Renews Tax Debate, GOP Lawmakers Weigh What to Do

The goal is to win a major legislative victory before year's end, and the 2018 campaign.

By Richard Rubin August 29, 2017

WASHINGTON—President Donald Trump dives back into the tax debate on Wednesday with a Missouri speech aimed at emphasizing the need for major changes as Republicans try to figure out what they want to do and how to proceed.

When Congress returns from its August recess next week, lawmakers will have a long list of non-tax items to resolve that will occupy their time and attention for weeks, from the federal debt limit to hurricane relief efforts. In the background, they will set the parameters for the tax debate with the goal of racking up a major legislative victory before year's end.

The summer collapse of health care legislation puts even more pressure on Republican tax writers to give lawmakers something to campaign on in 2018. Although Republicans generally agree on lower tax rates, they're not sure yet how low they can go, what breaks would go away and whether their plan would reduce government revenue or be "revenue neutral." Mr. Trump himself sometimes talks about "tax reform"—which typically means a combination of cuts in rates, the elimination of breaks and creation of new revenue raisers—and other times mentions "tax cuts," meaning just a reduction in rates.

The "reform" that Republicans have talked about for years is much tougher politically than tax cuts because it would require crossing some business interests and eliminating deductions that some Republicans would prefer to keep. Tax cuts, meanwhile, would be constrained by Senate rules that limit the ability of Republicans to increase budget deficits and by lawmakers' appetite for fiscal conservatism.

The resulting bill may end up looking more like a tax cut, said David McIntosh, president of the Club for Growth, an advocacy group that backs lower taxes.

"There's a real consensus among Republicans that they need to get a tax cut bill through," Mr. McIntosh said. "A positive for the tax cuts is the donor base is very strongly in favor of it. That will help leadership get the votes it needs in the House and the Senate."

Treasury Secretary Steven Mnuchin and White House economic policy chief Gary Cohn have met for months with congressional leaders and released a bare-bones framework in July that ditched the House GOP's border-adjustment plan for taxing imports and exports, which would have raised revenues to help pay for deep cuts in corporate tax rates. Going forward, the administration is ceding many of the details to Congress and having the president make the public case for whatever plan emerges.

For now, Republican lawmakers are pursuing a revamp of the corporate and individual tax systems. It may take months before they determine whether the arithmetic and politics of a revenue-neutral tax bill—raising some taxes and lowering others—can work before deciding whether to switch to a tax cut bill.

"They'll have a really strategic decision to make at some point in November," said John Gimigliano of KPMG LLP, a former GOP aide at the House Ways and Means Committee. "We could continue to try this and we may not succeed at all and get nothing this year. Or we can shift from tax reform to tax relief and do what we can."

Most Democrats reject the GOP framework for tax policy, saying it tilts too heavily toward high-income households and corporations.

Republicans will be constrained by Senate rules that limit their ability to pass a tax bill without Democratic votes. To do so they would first have to agree on a budget. And then, to pass a bill with a straight majority, the resulting tax bill can't increase long-run budget deficits.

They have a few ways to get around that. First, they could assume that they don't have to offset the cost of extending tax breaks that have lapsed or are scheduled to expire. Under the typical approach Congress uses to analyze budgets, the revenue that would be generated when those breaks lapse is part of baseline projections. By starting instead with the assumption that those breaks continue indefinitely, Republicans would lock in roughly \$450 billion in tax cuts over a decade because they either wouldn't count the cost of extending the breaks or they could replace them with other tax cuts.

Democrats and budget hawks call this a loophole at odds with Congress's decision in 2015 to set tax break expiration dates.

Second, Republicans could assume tax cuts can partially pay for themselves by creating faster economic growth. This so-called "dynamic scoring" will be limited by the nonpartisan Joint Committee on Taxation's estimates for the effects of tax cuts on growth.

Third, they could take a page from the GOP's 2001 and 2003 tax-cut playbook and make some or all of the tax cuts temporary. That would create tax cuts within the 10-year budget window without adding to deficits beyond that point. Businesses want a permanent tax cut to give them long-run certainty for investment decisions. Mr. Mnuchin has said that permanent is better than temporary, but that temporary is better than nothing.

If Republicans do opt for a tax cut, their budget will set its maximum size. Because Republicans have just 52 votes in the Senate, they can lose just two of their own members on a budget vote.

That means the third-most deficit-conscious member of the Senate GOP could set the outer limits for the tax cut. That person's identity and the size of the Republican tax-cut appetite isn't clear now.

"The later it gets in the year," says GOP tax lobbyist Rick Grafmeyer, "maybe the more flexible people get."