



# IRS Times & Inquirer

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## Government Contractor Received \$575k in False Refunds

A former Department of Defense contractor was arrested in Fort Worth, Texas, by IRS Special Agents without incident on federal charges that he filed fraudulent tax returns in excess of \$575,000.

The indictment by a Tucson, Arizona, grand jury alleges Michael T. McQuillen, 49, of Saginaw, Texas, and formerly of Tucson — and who been primarily employed with various contractors for the United States Department of Defense — filed eight U.S. Individual Income Tax Returns claiming tax refunds in excess of \$575,000.

It alleges McQuillen attached Forms 1099-OID (Official Issue of Discount) to seven of these returns which falsely claimed withholding of federal individual income taxes approximately equal to the amount of earned income. The indictment alleges McQuillen received actual refunds from two of the fraudulent tax returns totaling \$155,986.

He faces up to five years in prison and a \$250,000 fine.

## Pastor Aided With False Income Tax Return

A religious leader in Vancouver, Washington, was sentenced to five months in prison for aiding the preparation of a false tax return. Until last September, Maximo Garza, 47, was the pastor for Victory Outreach Church of Portland, a non-denominational church which has operated in Portland, Oregon, for more than 15 years.

During his plea hearing, Garza admitted he provided false expense invoices which purported to reflect public relations and other services provided by Victory Outreach Church to William Thompson, who was then operating a mail-order divorce service using the name Hallwood Inc. Thompson used the false invoices to take expense deductions on tax returns filed by Hallwood in order to fraudulently reduce his tax liability. Thompson pled guilty to tax evasion and was sentenced to a prison term in 2007.

Between 2001 and 2003, Garza provided invoices reflecting a total of \$735,441 in false business expenses. Thompson agreed to let Garza keep approximately 10% of the expense amounts.

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Beat This Trivia Question and Win a \$250 Gift Certificate



"Now, remember, when we get in there, let me do all the talking."

## **New England Businessman Tried to Evade \$109,000**

A New Hampshire businessman pleaded guilty to attempting to evade payroll taxes in connection with the operation of a contracting business he owned.

Richard H. Taylor, of Weare, New Hampshire, owned and operated R.H. Taylor Drywall, LLC, a construction management company based in Goffstown, New Hampshire.

From about April 1, 2004, to July 31, 2004, under Taylor's direction and supervision, the company paid many of its employees' wages in cash but did not withhold federal income taxes and Federal Insurance Contribution Act taxes from the cash wages and did not report the payment of those wages to the IRS. Taylor's conduct resulted in a tax loss to the United States of about \$109,000.

He faces up to five years in prison and a fine of up to \$250,000.

## **Office Manager Receives 30 Months for Tax Evasion**

An Illinois woman was sentenced to 30 months in prison as a result of her convictions for tax evasion, willful failure to file federal income tax returns, embezzlement from an employee benefit plan and failure to pay employment taxes.

In addition, Mary R. Storer, 40, formerly of Wood River, Illinois, was ordered to serve three years of supervised release and pay restitution in the amount of \$266,056 to the victim, Elk Heating and Cooling, and \$76,267.29 to the IRS.

The convictions are the result of Storer's conduct after she was hired by Elk Heating and Sheet Metal as their office manager in 2006. Elk Heating and Sheet Metal is a small, family-owned heating and air-conditioning company in Madison County.

Storer's responsibilities included answering the telephones, setting up customer appointments and handling accounts receivable and accounts payable. Storer was also in charge of payroll and filing and paying Elk Heating and Sheet Metal's payroll taxes.

Storer immediately began embezzling money from Elk Heating and Sheet Metal and gambled away almost all of the money that she embezzled.

At the sentencing, information was also presented that she had gambled heavily in 2007, with losses exceeding \$200,000 for that year.

## **IOWA BUSINESSMAN SENTENCED FOR TAX AND BANKRUPTCY FRAUD**

The former president of Chapman Lumber who committed bankruptcy fraud and filed false tax returns was sentenced to more than three and a half years in federal prison.

Keith Chapman, 41, of Marion, Iowa, received the prison term after pleading guilty to two counts of bankruptcy fraud and one count of filing a false tax return. He was also ordered to pay \$286,492.79 in restitution.

In his plea agreement, Chapman admitted he made false statements in bankruptcy pleadings he filed on behalf of Chapman Lumber when he denied making payments and transferring money from Chapman Lumber to himself for his own use.

Chapman admitted that, between 1999 and 2005, he diverted more than \$450,000 from Chapman Lumber to a bank account he held in Cedar Rapids. Those funds had been pledged as collateral for a bank loan to Chapman Lumber.

Chapman used the money himself, including for a membership in a country club, jewelry, golf equipment, clothing and prostitutes.

Chapman also admitted he did not report any of these funds as income when he filed false tax returns.

## Are You My Client Of The Month?

Every month I choose a very special Client Of The Month. It's my way of acknowledging good friends and saying "thanks" to those who support me and my business with referrals, word of mouth and repeat business.

### **This month's Client of the Month is Lloyd Stouder.**

Mr. Stouder owed the IRS close to \$136K when he sought our help. Our negotiations and advocacy resulted in the IRS accepting a settlement of \$2,290.29 via the federal government's Offer in Compromise program!!! Amazing!! Congratulations Mr. Stouder.

You might be my next Client Of The Month too! Watch for your name here in an upcoming month.

## "Who Else Wants To Win A \$250 Transferable Gift Certificate?"

### **Take my Trivia Challenge and you could win too!**

This is one of my favorite sections. Each month I'll give you a new trivia question. The first THREE people who call my office with the correct answer win a free \$250 reduction on any IRS service I provide. (One per client, please.) And best yet, your certificate is transferable. Use it yourself, or give it to a family member or special friend and help them save money. Take your best guess, then call me at 818-774-1813.

### **This Month's Mega Trivia Question...**

A rare copy of which comic book recently sold for \$1 million?

- a) The Simpsons
- b) Spider-Man
- c) Garfield
- d) Superman

Call me right now with your answer! 818-774-1813



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[www.taxresolution.com/blog/](http://www.taxresolution.com/blog/)

## **NEW YORK MAN GUILTY OF OBSTRUCTING IRS**

Michael L. Pendleton, 28, of Albany, New York, pleaded guilty to one count of corruptly obstructing and impeding the due administration of IRS laws.

According to court documents and statements made in court, Pendleton in 2005 was a self-employed landscaper in Albany.

In 2008, the IRS notified Pendleton that he underpaid his 2005 federal income tax in the amount of \$28,623 based on the disallowance of expenses deducted on Pendleton's 2005 Schedule C. The underpayment resulted in a tax loss to the government in the amount of \$4,974.

Pendleton contested the IRS's determination by filing a petition with the United States Tax Court, and the matter was scheduled to go to trial in U.S. Tax Court. Prior to the trial date, the IRS Office of Chief Counsel requested that Pendleton substantiate his claimed expenses.

In response, Pendleton provided several letters, purportedly from various individuals, which stated that Pendleton made payments to them for goods and/or services.

The IRS Office of Chief Counsel determined that the letters contained false information and forged signatures.

Pendleton faces up to three years in prison and a fine of up to \$250,000.

## IRS Question Corner ...

**Question:** I believe in the old adage that "If it's too good to be true, then it probably is." Explain to me why that shouldn't apply to the Offer in Compromise program you have talked about in previous issues.

**Answer:** Great question. Skepticism is a good, healthy thing, and everyone should be skeptical at first when it comes to tax advice. You want to make sure you're dealing with a qualified tax professional.

First off, let me assure you the Offer in Compromise, while a wonderful program for those who qualify, is not too good to be true. The reason for that is in those four words in my last sentence: for those who qualify.

The IRS isn't handing out Offers in Compromise to every taxpayer with tax debt. The U.S. tax-collecting agency doesn't operate on a pay-what-you-wish model by any means. The Offer in Compromise was designed for a specific group of taxpayers who amassed sizeable tax debt through previous earnings and interest but who — for reasons that could be personal, professional or medical — are simply unable to pay that debt off, even over time.

While this program may seem counterintuitive for an agency tasked with collecting money Uncle Sam is owed, it actually isn't: For taxpayers who simply can't pay their debt, the Offer in Compromise offers a greater collection rate for the government overall than the bare-knuckled approach that resulted in fleeing taxpayers ever did.

Nevertheless, this program can be very good news if you qualify for the Offer in Compromise: By negotiating a settlement offer with the IRS, you can reduce your tax debt to a fraction of what you owe. A tax professional will first review your previous returns — coming to the exact amount you owe the IRS — and then you and your tax professional will negotiate your Offer in Compromise.

I'm an IRS problem solver. For a free, no-risk consultation, please call my office at 818-774-1813.

## Thank You! Thank You!

Thanks to YOU, the word is spreading. Thanks to my clients and friends who graciously referred me to their friends, clients and relatives last month! I enjoy building my business based on the positive comments and referrals from people just like you.

**Aaron Zimmer, JD, CPA**

*I just couldn't do it without you!*

## NEBRASKA COUPLE GUILTY OF FAILING TO FILE RETURNS

David Thomas, 55, Killingworth, Connecticut, pleaded guilty to one count of filing a false tax return. Thomas, an attorney, was retained by the Cedar Island Improvement Association to provide legal assistance. Thomas received \$120,977 from the association. However, for the tax years 2004 and 2005, he failed to report the \$120,977 he received. Thomas faces up to three years in prison and a fine of up to \$100,000.

## Thanks for the Kind Words...

"I just wanted to send a quick note of deep appreciation for the wonderful service you provided. It is beyond contestation the efforts of my TRS representatives. TRS went above and beyond on my behalf. All TRS personnel I had contact with throughout the OIC process, were very professional". - L. Stouder

## I'd Like To Hear From YOU!

Whether you'd like to avoid the IRS, contact the IRS, settle with the IRS or just want to refer a friend, relative or client, I'd love to hear from you. I would be happy to provide you or that special person you refer a no-obligation confidential consultation to explain every option available to solve IRS problems.

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