



IRS Times & Inquirer

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IRS Catch One of Their Own; Agent Guilty

A revenue agent with the Internal Revenue Service has agreed to plead guilty to a federal tax fraud charge for filing a personal income tax return that claimed he suffered a loss in a real estate transaction when in fact he realized a substantial profit.

In a plea agreement, Jim H. Liu, 43, of Diamond Bar, Calif., agreed to plead guilty to subscribing to a false tax return — a charge that carries a penalty of up to three years in federal prison. As an IRS employee, Liu conducted audits of taxpayers.

Liu admitted he filed a false tax return for the 2002 tax year that improperly claimed a loss on his sale of a property in Pomona. Liu sold the property for a profit of more than \$48,000, but he instead claimed a loss of more than \$4,200. The tax loss to the government, as a result of Liu's filing, was approximately \$14,642.88.

California Trio Hit with Tax Charges

A California chiropractor, his wife and their taxpayer representative have been charged with conspiracy to evade the payment of taxes, three counts of tax evasion, and four counts of presenting a fictitious instrument to the IRS.

According to prosecutors, Vincent Steven Booth, 52; Louise Q. Booth, 49, both of Bakersfield, Calif.; and Michael S. Ioane, 48, of Atwater, Calif., conspired together to evade the payment of more than \$1.3 million in taxes from 1995 to present by creating sham trusts, filing bogus liabilities against the Booths' properties to impede the IRS's collection efforts, submitting "Bills of Exchange" to the IRS in an effort to erase the Booths' tax liability and creating frivolous deed transfers of the Booths' properties to keep them out of the reach of the IRS.

The government alleges the Booths evaded \$322,879 in taxes for 1995, \$332,737 in taxes for 1996 and \$702,414 in taxes for 1997.

If convicted, all three face prison sentences and fines that could exceed \$100,000.

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



"I was never in the military. My accountant awarded me this medal for keeping extremely organized tax records."

Real Estate Agent Tried to Evade Paying \$1.6 million

A commercial real estate agent in Florida has been charged with tax evasion. The government alleges Thomas W. Daugherty, 53, of Fort Myers, evaded paying approximately \$1.6 million in taxes from 1998 to 2005.

According to the government, Daugherty maintained a cash lifestyle to hide his earnings. He refrained from depositing his commission checks into his bank account and instead converted his commission checks into cash and multiple cashier's checks payable to him. He then deposited cash into his personal accounts to cover expenses about to clear. From November 2002 to April 2008, Daugherty purchased more than 200 cashier's checks for more than \$2.1 million.

He faces up to five years in prison.

Tire Store Owner Diverted \$430,000

The owner of a tire store in Alabama pleaded guilty to one count of tax evasion. Timothy Smith, of Cullman, Ala., the owner of College Tire, was indicted in September 2008 and charged with two counts of tax evasion relating to the tax years 2002 and 2003.

According to court records, Smith diverted customer receipts from his tire business into two personal bank accounts. Smith also used cash and cashiers' checks to make substantial principal payments on the mortgages for vacation homes in North Carolina and Florida. In all, Smith diverted more than \$430,000 from his tire business to his personal bank accounts and mortgages. In about August 2003, he also purchased a real estate lot in North Carolina near his vacation home with \$68,100 in cash.

Smith concealed the diverted funds from his bookkeeper, records show. Smith also took substantial fraudulent tax deductions in relation to a purported farm at his personal residence. As a result, Smith filed false personal and business tax returns for tax years 2000 to 2003. The tax loss resulting from Smith's scheme was more than \$400,000.

As part of his plea agreement, Smith agreed to a binding sentence of 30 months in prison and agreed to pay \$170,380 in restitution to the IRS, including a lump sum payment of \$50,000 to be paid prior to sentencing. As part of the plea agreement, the government agreed to dismiss tax charges against Smith's wife, Lori Ann Smith.

ALASKA DENTIST TRIED TO EVADE \$575,000 IN TAXES; DEDUCTED NEARLY ALL EXPENSES

Glenn E. Lockwood, 61, of Kenai, Alaska, was sentenced to five years in prison for his conviction on four counts of tax evasion. In addition to prison, Lockwood was ordered to pay a \$10,000 criminal fine and an additional \$42,000 for the costs of prosecution.

According to court records, Lockwood was a practicing dentist who owned the Kenai Dental Clinic and attempted to evade more than \$575,000 in federal income taxes for the years 2000 to 2003. As set forth in the indictment, Lockwood improperly leased his professional services to an Irish entity, which leased his services to a Nevada company, which in turn leased Lockwood's services back to his professional corporation, Glenn E. Lockwood, DDS, PC.

The evidence presented at trial established that Lockwood used nominees, offshore accounts and a sham trust to disguise his interest in assets. He hid his money offshore, funneling it through Ireland and the Caribbean island of Nevis and the Bahamas.

Evidence at trial also showed that Lockwood deducted practically every expense in his life from the relatively little income he did report, including deducting expenses to massage parlors as "continuing education."

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 Mr. Jeffrey Tritten

When Mr. Tritten contacted our firm, he owed the IRS over \$45k.

We negotiated with IRS and were able to settle his debt for just a little over \$8k via the federal government's Offer In Compromise program.

Congratulations Mr. Tritten.

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...

Which baseball slugger hit his 500th home run in April?

- a) David Ortiz
- b) Gary Sheffield
- c) Matt Stairs
- d) Alex Rodriguez

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



Get IRS news, commentary, insight, tips and humor from tax expert Michael Rozbruch online at Tax Resolution University
www.taxresolution.com/blog/

MASS. BUSINESSMAN CHARGED WITH EVASION

Gary P. Mallows, of Longmeadow, Mass., was indicted on charges of tax evasion and failure to file tax returns.

The government alleges Mallows concealed assets and income that he received from various sources. It also alleges Mallows evaded payment of a Trust Fund Recovery Penalty assessed by the IRS in 2001 in the approximate amount of \$86,237.08. In addition, Mallows allegedly failed to file timely tax returns for 2002, 2003 and 2004.

ARIZ. MAN FACES FIVE YEARS FOR TAX ISSUES

Arlan R. Turley, 60, of Gilbert, Ariz., was indicted on two counts of willful failure to file a tax return and 20 counts of willful failure to pay over taxes. Turley, a licensed dentist in Arizona, operated the East Valley Dental Service in Mesa, Ariz.

The indictment alleges that the charges for failure to file are the result of Turley's non-filing of his 2002 and 2003 income tax returns. In fact, Turley has not filed an individual tax return for the years 1997 to 2007. The charges for failure to pay are alleged to be the result of Turley not turning over his employees' payroll taxes to the government. If convicted, he faces up to five years in prison and a fine of up to \$250,000.

IRS Question Corner ...

Question: I've read a little bit about the Offer in Compromise and the Installment Agreement. Which one is better?

Answer: The question here shouldn't be: "Which one is better?" It should be: "Which one is better for you?"

Ultimately, you'll want to get the answer to that question from a qualified tax professional. But let me explain the differences to give you a better idea which one might be the best for you in your current situation.

Some quick background: After years of chasing deadbeat taxpayers with bare-knuckled tactics, the IRS discovered that a gentler, more flexible approach can actually increase the government's collection efforts. In that spirit, the IRS introduced the Offer in Compromise and the Installment Agreement. They are both powerful, but vastly different, options for taxpayers.

The Offer in Compromise is intended for taxpayers who, for whatever reason, find themselves with substantial tax debt and an inability to pay that debt, even over time. This situation can occur in a variety of ways — due to business failure, legal liability, medical problems, etc. No matter what the reason, the Offer in Compromise allows taxpayers who qualify to settle their entire debt amount with the IRS for less than they owe..

The Install Agreement, by contrast, is for taxpayers who are currently unable to pay their current tax debt — but who can pay that tax debt over time. With an Installment Agreement, the taxpayer makes monthly payments toward the debt that will not drastically alter the taxpayer's lifestyle but which, over time, will pay down and eliminate the debt.

If you have tax problems and believe either of these programs may benefit you, consult a qualified tax professional. I deal with these types of tax problems every day. That's because 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.

John C. Gordon & David E. Brennan

I just couldn't do it without you!

IRS INVESTIGATION RESULTS IN 18-MONTH PRISON SENTENCE

Lee B. Woodbury, 51, of Gilbert, Ariz., was sentenced to 18 months in prison and ordered to pay restitution of \$97,232 after pleading guilty to willfully filing a false tax return. Until contacted by the IRS Criminal Investigation Division, Woodbury had not filed returns for tax years 1998 to 2001. He later underreported his income in returns. In total, the tax loss as a result of Woodbury's willfully filing false tax returns was \$35,633.

Thanks for the Kind Words...

"TRS is very effective, courteous and knowledgeable. After signing up with them, I found that the IRS letters stopped and I felt I had someone on my side to help me resolve my tax issue. - J. Tritten

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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