

Business Owner Sentenced for Tax Evasion

A business owner was sentenced to several years in prison followed by three years supervised release and ordered to pay a fine of nearly \$1 million. The defendant was convicted of three counts of tax evasion and one count of structuring a financial transaction to avoid federal currency transaction reporting requirements. According to trial evidence, the defendant reported no taxable income and paid no federal income tax during three years, although the two businesses the defendant owned and operated were profitable and the defendant was earning a substantial taxable income from their operations. The defendant, an accountant by training, engaged in a complicated tax evasion scheme which involved diverting hundreds of thousands of dollars from the businesses into personal investment accounts held in the name of the defendant's spouse. The defendant created a phony shareholder loan account to make it appear that the corporations that owned the businesses owed the defendant money and then took false "bad debt" deductions on the defendant's own tax returns to offset the income earned personal investment accounts belonging to the defendant and the defendant's spouse. This investigation was initiated based on the filing of a Suspicious Activity Report.

(Source: Internal Revenue Service-Criminal Investigation)

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