

# Yet Another Boring Circular 230 Ethics Review



IRS Program Number: 4Y1UP-E-00203-22-S

**Presented by:  
Jassen Bowman**



# Copyright Notice

**Any reproduction or unauthorized use of these materials, without the express written consent of 230 Media LLC is prohibited.**

# Disclaimer

This presentation is intended to serve solely as an aid in continuing professional education. Due to the constantly changing nature of subject of the materials, this product is not appropriate to serve as the sole resource for any accounting opinion or return position, and must be supplemented for such purposes with other current authoritative materials.

The information in this manual has been carefully compiled from sources believed to be reliable, including IRS notices, procedures, regulations, IRC, and IRM, but its accuracy is not guaranteed. In addition, 230 Media, LLC dba Tax Marketing HQ, its authors, and instructors are not engaged in rendering legal, accounting, or other professional services to readers/attendees and will not be held liable for any actions or suits based on these slides or comments made during any presentation.

If legal advice or other expert assistance is required, seek the services of a competent professional under an appropriate engagement.

## Who is this wahoo?



**Jassen Bowman, EA, CTR, NTPI Fellow**

- Enrolled Agent that grew an employer's firm from \$750k to \$3.3 million in just 17 months, then went into private practice and built a boutique tax firm from \$0 to \$35k MRR in just 10 months.
- Author of the Amazon bestseller *Tax Resolution Secrets*, showing consumers how to address their tax debt problems, and *Tax Resolution Systems*, a checklist manual for practitioners ([available on Amazon](#)).
- Instructor on more than 500 CPE webinars and seminars.
- Founder of Tax Marketing HQ and TaxFirms.com. Co-founder of Tax Resolution Academy® and HR/LMS software provider Prolaera.
- Consultant to hundreds of successful tax firms, from solo practitioners to firms with 30+ employees.

# REMINDER...

You're the one that signed up for a class called the WORST CPE WEBINAR EVER. Don't complain that you weren't warned, because this is *exactly* what the webinar description said:

This will, without a doubt, be the worst CPE class presented by any person, via any company, in all of 2021. As a matter of fact, I'm going to put in even less effort, in order to ensure that this is, beyond the shadow of a doubt, the **absolute worst CPE class ever presented.**

# REMINDER...

I literally slapped this together late last night while watching *Cowboy Bebop* on Netflix.



# Seven North Carolina Tax Preparers Plead Guilty to Conspiring to Defraud the IRS

Seven Charlotte, North Carolina tax return preparers pleaded guilty to conspiracy to defraud the United States by preparing and filing false tax returns.

Joseph Octave and Vonyeda Carson pleaded guilty on Jan. 12, 2021, while Melissa Greene, Natisha Holloman, Kimberly Joline, Whitney Vargas-Medrano and Wendia Courtois pleaded guilty earlier in 2020. In addition to the **conspiracy charge**, Octave pleaded guilty to one count of aiding and assisting in the filing of false tax returns.

According to court documents and statements made in court, Octave owned and operated Kapital Financial Services, a tax preparation business with two offices located in Charlotte. From 2014 through at least 2019, Octave and certain employees, specifically Carson, Courtois, Vargas-Medrano, Greene, Holloman, and Joline conspired to falsify clients' tax returns by **claiming deductions, business losses, American Opportunity credits, education credits, and earned income tax credits** that the clients did not incur, in order to fraudulently increase refunds to be paid by the IRS. **Octave trained employees on how to file false returns and provided them with scripts and cheat sheets. Octave instructed employees not to provide clients with copies of their tax returns and not to review the completed tax returns with clients beyond the refund amount.** By filing false returns, Octave and his co-conspirators increased their client base and unjustly enriched themselves. As owner, Octave received the largest share of the **\$700,000** earned by Kapital Financial Services in preparation fees.

U.S. District Judge Max O. Cogburn Jr. will schedule sentencing at a later date. At sentencing, Octave faces a maximum of eight years in prison, and Carson, Courtois, Greene, Holloman, Joline, and Vargas-Medrano each face a maximum of five years in prison.

# Circular 230 10.36 – Procedures to Ensure Compliance

Anyone who has, or shares, **principal authority and responsibility** for overseeing a firm's Cir 230 practice must take **reasonable steps** to ensure that the firm has adequate procedures in effect for all members, associates, and employees for purposes of complying with:

Subpart A - Rules Governing the Authority to Practice

Subpart B – Duties & Restrictions Relating to Practice  
Before the IRS, and

Subpart C – Sanctions for Violations of the Regulations .

# Circular 230 10.36 – Procedures to Ensure Compliance

- If firm does not identify an individual(s) with **principal authority and responsibility** for overseeing its Circular 230 practice, OPR may identify
- Anyone identified as having this principal authority **will be subject to discipline for failing to comply with Circular 230 if--**

# Circular 230 10.36 – Procedures to Ensure Compliance

(1) The individual through willfulness, recklessness, or gross incompetence:

- Fails to take reasonable steps to ensure that adequate procedures for compliance with Circular 230 are in place, **and properly followed, AND**
- That one or more individuals who are members of, associated with, or employed by, the firm are, or have, engaged in a pattern or practice, in connection with their practice with the firm, of failing to comply with Circular 230;

**OR**

# Circular 230 10.36 – Procedures to Ensure Compliance

(2) The individual:

knows or should know that one or more members, associates, or employees are or were engaged in a pattern or practice of not complying with Circular 230, and

who, through willfulness, recklessness, or gross incompetence fails to take prompt action to correct the noncompliance.

# Circular 230 10.36 – Procedures to Ensure Compliance

**Discussion:** What are reasonable steps to take to ensure the Circular 230 compliance of your staff?

# Justice Department Seeks to Shut Down Washington Return Preparer

The United States has filed a complaint in the U.S. District Court for the Western District of Washington seeking to bar a Kent, Washington, tax return preparer from preparing federal tax returns for others. The parties have contemporaneously filed a joint motion for entry of a permanent injunction by consent.

The civil complaint filed against Soledad Rubio alleges that she owns and operates defendant GIG Universal Multi Servicios. According to the complaint, GIG Universal Multi Servicios **prepared and filed thousands of federal tax returns from 2014 through 2019**. The complaint alleges that Rubio prepared federal income tax returns that underreport tax due by **fraudulently claiming fabricated and overstated itemized deductions, unreimbursed employee business expenses, Earned Income Tax Credits, Child Tax Credits and Additional Child Tax Credits**.

According to the complaint, GIG prepared nearly **5,200 tax returns in aggregate for tax years 2016 and 2017** and of that total, **Rubio prepared over 2,400 returns**. The complaint alleges that the IRS interviewed certain customers of Rubio and GIG Universal Multi Servicios about their 2016 and 2017 tax returns and calculated, based on those interviews, that on average, returns prepared by GIG **underreported tax due by \$3,421 per return for those years**. Of those, the complaint alleges, returns prepared specifically by Rubio on average underreported tax due by **\$3,055**.

Jassen maths it up:  $5200 \times \$3,421 = \$17,789,200$

# Circular 230 10.22 – Diligence as to Accuracy

- Must exercise Due Diligence in:
  - Preparing, approving and/or filing tax returns, documents, affidavits etc. relating to IRS matters.
  - Determining correctness of oral/written representations made to the client or to Treasury personnel.

# Circular 230 10.34(a) – Standards for Tax Returns

- May not sign a tax return or advise a position on a tax return, willfully, recklessly, or through gross incompetence if:
  - Lacks reasonable basis
  - Unreasonable position (sec. 6694(a)(2))
  - Willful attempt to understate liability (6694(b)(2)(A))
  - Reckless, intentional disregard of rules and regulations (6694(b)(2)(B))

## Circular 230 10.34(b) – Standards for Documents, Affidavits, and Other Papers

- May not advise taking positions that are frivolous
- May not advise submissions:
  - to delay or impede tax administration
  - that are frivolous
  - containing or omitting information that demonstrates an intentional disregard of rules or regulations

# Circular 230 10.34(d) – Relying on Information Furnished by Clients

- Reliance on client information in good faith, without verification, is OK, but...
  - Cannot ignore implications of other information furnished
  - Cannot ignore actual knowledge
  - Must make reasonable inquiries for incorrect, inconsistent or incomplete information (10.34(d))
  
- Don't knowingly turn a blind eye.

# Justice Department Files Civil Action to Shut Down California Tax Return Preparer

The United States has filed a complaint in the U.S. District Court for the Eastern District of California seeking to bar a Visalia, California tax return preparer from owning or operating a tax return preparation business and preparing federal income tax returns for others.

The civil complaint was filed against Esther Oregon both individually and doing business as “Mex Tax Service,” which the complaint alleges is a sole proprietorship. The complaint alleges Oregon and Mex Tax Service prepared federal income tax returns for taxpayers that underreported their customers’ federal tax liabilities for the 2017 and 2018 tax years by including, among other things, **inflated or false claims for tax credits, itemized deductions, and income or business expense deductions.**

According to the complaint, defendants prepared **over 3,600 tax returns** in aggregate for tax years 2017 and 2018. The complaint alleges that the IRS interviewed certain customers of Oregon and/or Mex Tax Service about their 2017 and 2018 tax returns and calculated, based on those interviews, an **average underreporting of \$4,120 per return in 2017 and \$2,714 per return in 2018.** According to the complaint, the estimated total direct harm to the Treasury, based on those calculations, exceeds **\$6.9 million.**

# North Carolina Return Preparer Sentenced to 50 Months in Prison for Multi-Year Tax Fraud Scheme

A Rocky Mount, North Carolina, tax return preparer was sentenced to **50 months in prison** today for conspiring to defraud the United States.

According to court documents and statements made in court, between **2009 and 2017**, Adrienne Williams owned and operated Ultimate Tax Service, a return preparation business, which had an office in Rocky Mount, North Carolina. During that time period, Williams and **at least two of her employees** at Ultimate Tax Service prepared false tax returns for clients. The returns claimed fraudulent refunds by including, among other falsities, **bogus federal income tax withholdings**. In all, Williams and her co-conspirators sought to defraud the IRS of more than **\$3.5 million**.

In addition to the term of imprisonment, U.S. District Court Judge Terrence W. Boyle ordered Williams to serve three years of supervised release and pay **\$4,830,723** in restitution to the IRS.

# Federal Court Bars Florida Tax Preparation Businesses and Their Tax Return Preparers from Preparing Tax Returns

A federal court in the Southern District of Florida, West Palm Beach Division, has permanently enjoined four Palm Beach-area tax return preparers from preparing federal income tax returns for others and from owning or operating any tax return business in the future.

In issuing an injunction against Marcus Alty; Jeanait Mathurin; Prestige Tax Services Inc. (dba Just Tax Services LLC); and Excellent Tax Services “LLC” (dba Excellent Tax Services), the court found that the defendants prepared tax returns making **false or fraudulent claims for the American Opportunity Tax Credit and Earned Income Tax Credit**, often based on **fabricated business income and expenses**. The order further holds that the defendants prepared returns that **falsely claimed fuel tax credits and that reported false education expenses**. The civil complaint filed against the defendants alleged that their fraudulent activities resulted in a loss to the Treasury of **over \$5 million**.

The injunctions against defendants were entered by default: according to the order against them, Alty, Mathurin, and Prestige Tax Services **failed to appear** in the action, while Excellent Tax Services filed an answer but otherwise failed to participate in the litigation. The court also ordered a 90-day discovery period to allow the United States to determine the appropriate disgorgement amount for the ill-gotten gains that defendants received for the preparation of tax returns containing falsely reported items.

# Circular 230 10.37 – Requirements for Written Advice

- What you tell your clients is OK needs to, in fact, be OK.
  - Reasonable factual and legal assumptions
  - Reasonably consider all relevant facts
  - Reasonable efforts to identify and ascertain the relevant facts
  - No unreasonable reliance on representations, statements, findings, or agreements. Unreasonable = you know or should know the information is based on incorrect, incomplete, inconsistent representation or assumptions

# Circular 230 10.37 – Requirements for Written Advice

- You may not give advice that is based on an assumption that the return will not be examined.
  - Apply applicable law to relevant facts
  - Don't take "audit lottery" positions
  - Never advise clients on the "odds" they'll be audited for something
  - Reliance on advice of others is Ok, if the advice was reasonable and the reliance is in good faith (per 10.22 Diligence as to Accuracy).

# Circular 230 10.37 – Requirements for Written Advice

Discussion: What are the most interesting or amusing “will I get audited for this?” tax positions have clients asked you about?

# Virginia Return Preparer Convicted of Tax Fraud

A federal jury in Newport News, Virginia, convicted Karl Burden-El Bey (aka Carl L. Burden) Friday of aiding and assisting in the preparation of false tax returns, theft of government funds and failing to file federal income tax returns.

According to court documents and evidence presented at trial, Burden-El Bey, of Hampton, prepared false tax returns for clients from at least 2013 through 2019. On his clients' returns, Burden-El Bey **claimed false dependents, residential energy credits, gifts to charity, deductions, and child and dependent care expenses** in order to inflate refunds obtained from the IRS. Burden-El Bey also **stole \$5,000 by directing a portion of his client's refund into his personal bank account**. As to his own taxes, **Burden-El Bey did not file individual tax returns for 2013 through 2017** with the IRS, despite being legally obligated to do so.

Sentencing is scheduled for Dec. 7 before U.S. District Judge David J. Novak.

Burden-El Bey faces a statutory maximum sentence of 10 years in prison for theft of government funds, three years in prison for each count of aiding and assisting in the preparation of a false tax return, and one year in prison for each count of failing to file a tax return. He also faces substantial monetary penalties, supervised release and restitution at sentencing.

# Circular 230 10.31(d) – Negotiation of Taxpayer Checks

- May not endorse, negotiate, direct to an account any US Treasury check in another's name
  - No cashing
  - No endorsing
  - No depositing to a controlled account
  - No split electronic transfers
  - Client concurrence is irrelevant
  - IRC 6695(f) penalty

# North Carolina Tax Preparer Sentenced for False Returns

A North Carolina man was sentenced yesterday to **33 months in prison** for assisting in the preparation of a false tax return and for filing a false personal income tax return.

According to court documents, Nicholas Laws, of Durham, was an **office manager and a return preparer** in the Winston-Salem branch of Tax Mind. As a manager, Laws **trained and supervised other Tax Mind return preparers, reviewed tax returns, and filed completed returns**. From 2014 to 2019, Laws prepared fraudulent returns for clients that reported **false wages and business income** to increase clients' refunds. Laws also **edited some returns prepared by other Tax Mind preparers to include similar fraudulent information**. Laws charged **fees, which occasionally exceeded \$1,000**, to prepare false returns.

In addition to his preparation of false client returns, Laws also filed a false personal income tax return for 2014 and did not file returns reporting his income for 2015 through 2019, despite being required to do so by law. Laws intended to cause a tax loss to the IRS of **\$2,934,891**.

In addition to the term of imprisonment, U.S. District Judge William L. Osteen ordered Laws to serve one year of supervised release and to pay approximately \$184,072 in restitution to the United States.

# North Carolina Return Preparers Plead Guilty to Conspiring to Defraud the IRS

Two Durham, North Carolina, return preparers pleaded guilty to conspiring to defraud the United States.

According to court documents, Karen Marie Jones owned Jones and Stone Taxes, a tax preparation business in Durham. From 2012 through 2016, Jones and another return preparer at Jones and Stone, Audrey Renetta Odom, **conspired to falsify tax returns by fabricating education expenses**, among other items, in an effort to inflate refunds paid to their clients by the IRS. The co-conspirators **charged some clients up to \$2,000 for preparing each return**. In total, the defendants caused a tax loss to the IRS of more than \$1.2 million.

Odom pleaded guilty on Dec. 2, 2020, and U.S. District Judge William L. Osteen Jr. has scheduled a sentencing for Feb. 19, 2021. Previously, Jones pleaded guilty on Nov. 5, 2020, and U.S. District Judge Catherine C. Eagles has scheduled a sentencing for Feb. 25, 2021. Jones and Odom each face a maximum sentence of five years in prison for conspiracy. The defendants also face a period of supervised release, restitution, and monetary penalties.

# Circular 230 10.27(a) – Fees

In general..

- A practitioner may not charge an unconscionable fee in connection with any matter before the IRS.
- This is one of the rare times when it's probably OK for us to discuss fees openly. So let's do it!

## Circular 230 10.27(a) – Fees

1. What is an unconscionable fee for a simple 1040?
2. What is an unconscionable fee for an 1120S?
3. How about an excessive hourly rate for representation?
4. What's excessive for tax planning fees?
  - a) Wait, is this even covered by Circular 230?

# Circular 230 10.27(a) – Fees

Contingent fees are barred, except in cases of:

- Examination or challenge of an original return;
- An amended return or claim for credit where the amended was filed within 120 days of the taxpayer receiving an examination notice or written challenge;
- Services rendered in connection with a claim for credit or refund solely in connection with determination of penalties or interest;
- In relation to judicial proceedings arising under the IRC.

# Virginia Tax Preparer Sentenced to More Than Two Years in Prison for Preparing False Returns

A Newport News, Virginia, tax return preparer was sentenced to **27 months in prison** for preparing false tax returns, announced Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division and U.S. Attorney G. Zachary Terwilliger for the Eastern District of Virginia.

According to court documents and statements made in court, Angela Harper owned At Ease Tax Services, a tax preparation business that she operated **in her home and hotel rooms in** the Newport News area. Between 2014 and 2018, Harper prepared tax returns that claimed **fraudulent credits and deductions** in an effort to inflate her clients' refunds. Harper **did not sign the returns in order to make it appear that the returns were self-prepared by her clients**. She also **did not review the completed returns with her clients, nor did she provide copies of the returns even when the clients specifically requested them**. In total, Harper filed **over 400 false tax returns** and caused a tax loss of over **\$700,000** to the IRS.

# Circular 230 10.28(a) – Return of Client's Record

- Client records are the property of the client, not you.
  - If they need them for tax compliance, you must return them.
  - Disputes over fees do not provide an exception to this section.
  - You may have other record retention rights under state law, **which the IRS recognizes.**
  - However... You may be required to provide accommodation to the client to allow them to *view* records you've retained under state law, per this 230 section.
1. What's probably best practice here with client docs?
  2. What do YOU do with *work product* when clients don't pay?

# Maryland Accountant Convicted of Preparing False Tax Returns for D.C. Residents

A federal jury in the District of Columbia convicted a Maryland woman today for **preparing three false tax returns** for District of Columbia residents that claimed **more than \$1.1 million in fraudulent refunds**.

According to court documents and evidence presented at trial, Charese Johnson, of Aberdeen, Maryland, operated Prodigy Accounting Services and prepared **false amended income tax returns in 2014** for three District of Columbia taxpayers. Those returns fraudulently claimed large refunds based upon **fictitious refundable credits and phony withholdings** that had never been paid to the IRS.

Johnson is scheduled to be sentenced on Sept. 17 and faces a maximum penalty of three years in prison on each count. A federal district judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors.

# Circular 230 10.51(a)(13) – Incompetence & Disreputable Conduct, Oral or Written Opinions

- What is a false opinion???
- Knowing misstatements of fact/law;
- Assertion of unwarranted positions;
- Counseling/assisting conduct known to be illegal/fraudulent;
- Concealing matters required by law to be revealed.

# Circular 230 10.51(a)(13) – Incompetence & Disreputable Conduct, Oral or Written Opinions

- What is reckless conduct?
  - Highly unreasonable omission/misrepresentation from standards of ordinary care that a practitioner should observe under the circumstances
- What is gross incompetence?
  - Gross indifference, grossly inadequate preparation, consistent failure to perform obligations to client
- The pattern of behavior matters!
  - *How many occurrences establish a pattern of behavior?*

# Texas Attorney and Client Sentenced for Conspiracy to Defraud the United States and Income Tax Evasion

Texas attorney and former member of the Idaho legislature, John O. Green, and his client, Texas inventor Thomas Selgas, were sentenced yesterday for conspiracy to defraud the United States and tax evasion. Selgas was sentenced to 18 months in prison and Green to six months.

Selgas and Green were convicted by a jury in Federal District Court in Dallas on Jan. 15, 2020. According to the evidence presented at trial, Selgas conspired with Green, an attorney licensed to practice in Texas, to defraud the United States by **obstructing the IRS's efforts to assess and collect Selgas's taxes**. Selgas and his wife owed approximately **\$1.1 million in taxes that Selgas refused to pay**. When the IRS sought to collect those taxes, Selgas concealed, with the assistance of Green, substantial funds by using Green's **Interest on Lawyers Trust Account (IOLTA)** rather than using financial accounts in Selgas's own name. An IOLTA is an escrow bank account used by a lawyer to hold money in trust for clients.

From 2007 to 2017, Selgas deposited proceeds from the sale of gold coins and other income into Green's IOLTA. At the direction of Selgas, Green would then **use that escrow account to pay the personal expenses** of Selgas and his wife, including their credit card bills. This use of the IOLTA concealed Selgas's income from the IRS and thwarted its ability to identify funds he possessed, which could be used to offset the taxes owed. Selgas and Green also **filed a false tax return** on behalf of MyMail Ltd., an intellectual property development and licensing partnership Selgas co-founded, omitting a substantial portion of the partnership's actual income.

In addition to the term of imprisonment, U.S. District Judge Karen Gren Scholer ordered Selgas to serve three years of supervised release and to pay approximately \$1,323,776.92 in restitution to the United States. Judge Scholer ordered Green to serve three years of supervised release and to pay approximately \$679,501.50 in restitution to the United States.

# Tax Attorney Indicted for Facilitating Tax Fraud

## Helped Private Equity CEO Defraud IRS of Taxes on \$225 Million in Capital Gains

A federal grand jury in San Francisco returned an indictment today charging a Houston-based tax attorney of conspiring with the Chairman and Chief Executive Officer of a private equity firm to defraud the IRS. The grand jury further charged him with three counts of aiding and assisting in the preparation of the CEO's false tax returns for the 2012 to 2014 tax years.

According to the indictment, **from 1999 to 2014**, Carlos E. Kepke helped Robert F. Smith create and maintain offshore entities that were used to conceal from the IRS approximately **\$225,000,000 of capital gains** income that Smith had earned. In approximately March 2000, Kepke allegedly created a Nevisian limited liability company (Flash Holdings) and a Belizean trust (Excelsior Trust) to serve as the tax evasion vehicles. When Smith earned capital gains income from his private equity funds, a portion was allegedly deposited into Flash's bank accounts in the British Virgin Islands and Switzerland. As alleged, Smith was able to hide this income because Excelsior, and not Smith, was the nominal owner of Flash. Smith then allegedly failed to timely and fully report his income to the IRS. Kepke allegedly assisted in the preparation of Smith's false 2012 to 2014 returns.

For his services, **Smith has allegedly paid Kepke nearly \$1,000,000 since 2007**. These fees, as charged, included an annual payment for Kepke to purge or "securitize" his records related to Smith, Excelsior, and Flash.

# Circular 230 10.51(a)(4) – Incompetence & Disreputable Conduct

- No participating in any way in the giving of false/misleading info to the Dept. of Treasury or any officer/employee thereof
- Includes:
  - Testimony
  - Federal tax returns
  - Financial statements
  - Applications
  - Affidavits, declarations, and any other document or statement, written or oral

# Circular 230 10.51(a)(7) – Incompetence & Disreputable Conduct

- Willfully assisting, counseling, encouraging, suggesting to a client/prospective client:
  - An illegal plan to evade Federal taxes or payment thereof
  - Violation of any Federal tax law

# Atlanta Tax Professionals Plead Guilty to Promoting Syndicated Conservation Easement Tax Scheme Involving More Than \$1.2 Billion in Fraudulent Charitable Deductions

## First DOJ Criminal Case Involving Syndicated Conservation Easements; Scheme Defrauded IRS of More than \$250 Million in Taxes

Stein Agee of Canton, Georgia, and Corey Agee of Atlanta, Georgia, appeared before U.S. Magistrate Judge W. Carleton Metcalf and pleaded guilty for their roles in a wide-ranging abusive tax scheme to defraud the IRS, the Department of Justice announced today.

According to court documents, **from at least 2013 through 2019**, S. Agee and C. Agee, then partners at an Atlanta accounting firm, marketed, promoted, and sold together with co-conspirators, investments in **fraudulent syndicated conservation easement (SCE) tax shelters**. The SCE tax shelters were designed to produce tax deductions for high-income taxpayers through partnerships that purported to make “real estate investments.” In truth, the partnerships were a sham, lacking economic substance and serving no legitimate business purpose. The placement of conservation easements over the real estate was a foregone conclusion, which fraudulently enabled the investors to shelter their income from the IRS with no economic risk and to claim substantial tax deductions to which they were not entitled. S. Agee, C. Agee, and their co-conspirators **marketed the SCE tax shelters by promising investors that for every \$1 invested in the partnership, the investor would receive more than \$4 in charitable tax deductions**.

According to court documents, S. Agee and C. Agee additionally solicited investors after the end of the tax year and advised them to backdate payments and documents to make it appear that the “investments” were timely made before the end of the tax year. S. Agee and C. Agee also prepared and assisted in the preparation of false tax returns for clients who agreed to invest in the SCE shelters. In exchange for their promotion of the abusive SCE tax shelters, between 2013 and 2019, S. Agee and C. Agee each received **more than \$1.7 million in commissions**.

# Georgia CPA Indicted for Promoting Syndicated Conservation Easement Tax Scheme Involving Fraudulent Charitable Deductions

A federal grand jury sitting in Atlanta, Georgia, returned an indictment today charging an Atlanta certified public accountant with **one count of conspiracy** to defraud the United States; **24 counts of wire fraud**; 32 counts of aiding or assisting in the preparation of false federal tax returns; and five counts of filing false federal tax returns relating to a wide-ranging, abusive tax shelter scheme.

According to the indictment, between 2014 and 2019, Herbert E. Lewis conspired with others to market, promote, and sell fraudulent tax shelter transactions in the form of syndicated conservation easement (SCE) donations. The SCE tax shelters allegedly enabled high-income taxpayers to purchase membership interests in purported real estate investment funds. According to the indictment, the funds served no legitimate business purpose, but instead were used to generate large fraudulent tax deductions for its participants based on the donated value of the conservation easements.

To further promote the scheme, the indictment alleges that Lewis allowed clients to purchase units in a given SCE shelter after year's end and that **he advised clients to backdate checks and subscription agreements**. Lewis then prepared tax returns for these same clients claiming the non-cash charitable deductions generated by the conservation easement donations despite knowing that they were not entitled to claim the charitable deductions. In total, the conservation easement donations allegedly generated hundreds of millions of dollars in tax deductions that were passed through to the SCE shelters and client taxpayers.

For his part, Lewis allegedly received more **than \$1 million in commissions** for selling the SCE shelters. The indictment also alleges that Lewis filed false individual income tax returns that failed to report a substantial portion of his commission income on his individual tax returns.

If convicted, Lewis faces a statutory maximum sentence of 20 years in prison for each count of wire fraud [, five years in prison for conspiring to defraud the United States, three years in prison for each count of filing a false tax return, and three years in prison for each count of aiding and assisting in the preparation of a false tax return. He also faces a period of supervised release, monetary penalties, and restitution. **[Jassen math's it up: That's a maximum potential sentence of 596 years if convicted on all counts].**

# The End!!!



# Complete the Final Quiz

- To obtain CE credit, complete the final quiz at:
- <https://cpehq.com/100/>
- If you enjoyed this course, if for no other reason than because it was free, then please help spread the word by dropping an email to at least one other Enrolled Agent with the link above. Thanks!

# The Leftovers

- These are the cases that were removed from the class due to time, but they're all a fun read. I've appended them here for your amusement.

# Federal Court Bars Florida Tax Preparation Businesses and Their Tax Return Preparers from Preparing Tax Returns

A federal court in the Southern District of Florida, West Palm Beach Division, has permanently enjoined four Palm Beach-area tax return preparers from preparing federal income tax returns for others and from owning or operating any tax return business in the future.

In issuing an injunction against Marcus Alty; Jeanait Mathurin; Prestige Tax Services Inc. (dba Just Tax Services LLC); and Excellent Tax Services “LLC” (dba Excellent Tax Services), the court found that the defendants prepared tax returns making **false or fraudulent claims for the American Opportunity Tax Credit and Earned Income Tax Credit**, often based on **fabricated business income and expenses**. The order further holds that the defendants prepared returns that **falsely claimed fuel tax credits and that reported false education expenses**. The civil complaint filed against the defendants alleged that their fraudulent activities resulted in a loss to the Treasury of **over \$5 million**.

The injunctions against defendants were entered by default: according to the order against them, Alty, Mathurin, and Prestige Tax Services **failed to appear** in the action, while Excellent Tax Services filed an answer but otherwise failed to participate in the litigation. The court also ordered a 90-day discovery period to allow the United States to determine the appropriate disgorgement amount for the ill-gotten gains that defendants received for the preparation of tax returns containing falsely reported items.

# Virginia Tax Preparer Sentenced to More Than Two Years in Prison for Preparing False Returns

A Newport News, Virginia, tax return preparer was sentenced to **27 months in prison** for preparing false tax returns, announced Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division and U.S. Attorney G. Zachary Terwilliger for the Eastern District of Virginia.

According to court documents and statements made in court, Angela Harper owned At Ease Tax Services, a tax preparation business that she operated **in her home and hotel rooms in** the Newport News area. Between 2014 and 2018, Harper prepared tax returns that claimed **fraudulent credits and deductions** in an effort to inflate her clients' refunds. Harper **did not sign the returns in order to make it appear that the returns were self-prepared by her clients**. She also **did not review the completed returns with her clients, nor did she provide copies of the returns even when the clients specifically requested them**. In total, Harper filed **over 400 false tax returns** and caused a tax loss of over **\$700,000** to the IRS.

# North Carolina Return Preparers Plead Guilty to Conspiring to Defraud the IRS

Two Durham, North Carolina, return preparers pleaded guilty to conspiring to defraud the United States.

According to court documents, Karen Marie Jones owned Jones and Stone Taxes, a tax preparation business in Durham. From 2012 through 2016, Jones and another return preparer at Jones and Stone, Audrey Renetta Odom, **conspired to falsify tax returns by fabricating education expenses**, among other items, in an effort to inflate refunds paid to their clients by the IRS. The co-conspirators **charged some clients up to \$2,000 for preparing each return**. In total, the defendants caused a tax loss to the IRS of more than \$1.2 million.

Odom pleaded guilty on Dec. 2, 2020, and U.S. District Judge William L. Osteen Jr. has scheduled a sentencing for Feb. 19, 2021. Previously, Jones pleaded guilty on Nov. 5, 2020, and U.S. District Judge Catherine C. Eagles has scheduled a sentencing for Feb. 25, 2021. Jones and Odom each face a maximum sentence of five years in prison for conspiracy. The defendants also face a period of supervised release, restitution, and monetary penalties.

# North Carolina Tax Preparer Sentenced for False Returns

A North Carolina man was sentenced yesterday to **33 months in prison** for assisting in the preparation of a false tax return and for filing a false personal income tax return.

According to court documents, Nicholas Laws, of Durham, was an **office manager and a return preparer** in the Winston-Salem branch of Tax Mind. As a manager, Laws **trained and supervised other Tax Mind return preparers, reviewed tax returns, and filed completed returns**. From 2014 to 2019, Laws prepared fraudulent returns for clients that reported **false wages and business income** to increase clients' refunds. Laws also **edited some returns prepared by other Tax Mind preparers to include similar fraudulent information**. Laws charged **fees, which occasionally exceeded \$1,000**, to prepare false returns.

In addition to his preparation of false client returns, Laws also filed a false personal income tax return for 2014 and did not file returns reporting his income for 2015 through 2019, despite being required to do so by law. Laws intended to cause a tax loss to the IRS of **\$2,934,891**.

In addition to the term of imprisonment, U.S. District Judge William L. Osteen ordered Laws to serve one year of supervised release and to pay approximately \$184,072 in restitution to the United States.

# Virginia Tax Return Preparer Sentenced to Over 12 Months for Evading Her Own Taxes

A Richmond, Virginia, tax return preparer was sentenced yesterday to one year and a day in prison for evading her own taxes.

According to court documents and statements made in court, Willette J. Holland owned Tax Professionals, a return preparation firm located in Richmond, Virginia. In August 2014, the IRS contacted Holland because she had not filed personal tax returns for the years 2010 through 2013. **Holland then presented false returns to an IRS Revenue Agent for those years, which substantially underreported her gross receipts and taxes due.** In 2014, 2015 and 2016, Holland again did not file tax returns despite being required to do so by law. To further conceal her earnings from the IRS, in 2014, **Holland deposited almost all of her tax preparation business's gross receipts into a bank account held in the name of a nominee.** In all, Holland caused the IRS to suffer a tax loss of approximately \$177,000.

In addition to the term of imprisonment U.S. District Judge Robert E. Payne ordered Holland to serve three years of supervised release.

# Maryland Accountant Convicted of Preparing False Tax Returns for D.C. Residents

A federal jury in the District of Columbia convicted a Maryland woman today for **preparing three false tax returns** for District of Columbia residents that claimed **more than \$1.1 million in fraudulent refunds**.

According to court documents and evidence presented at trial, Charese Johnson, of Aberdeen, Maryland, operated Prodigy Accounting Services and prepared **false amended income tax returns in 2014** for three District of Columbia taxpayers. Those returns fraudulently claimed large refunds based upon **fictitious refundable credits and phony withholdings** that had never been paid to the IRS.

Johnson is scheduled to be sentenced on Sept. 17 and faces a maximum penalty of three years in prison on each count. A federal district judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors.

# Maryland Tax Preparer Indicted for Preparing False Returns

A federal grand jury in Greenbelt, Maryland, returned an indictment today charging an Upper Marlboro tax return preparer with conspiracy to defraud the United States and aiding and assisting in the preparation of false tax returns.

According to the indictment, Anita Fortune provided tax preparation services under multiple business names, including Tax Terminatorz Inc. Fortune allegedly prepared and filed returns using co-conspirators' electronic filing identification numbers and identifiers. In addition, Fortune allegedly provided money and office space in exchange for her co-conspirators' electronic filing credentials. For the tax years 2012 to 2018, Fortune, along with her two co-conspirators, allegedly added fictitious or inflated itemized deductions and business losses to clients' returns, which fraudulently reduced their tax liabilities and increased their refunds.

If convicted, Fortune faces a maximum sentence of five years in prison for the conspiracy count and three years for each false return count. Fortune also faces a period of supervised release, restitution, and monetary penalties.

# Federal Court Permanently Enjoins Tax Return Preparer in Illinois

A federal court in the U.S. District Court for the Northern District of Illinois has permanently enjoined a Rockford-area tax return preparer from preparing returns for others and from owning, operating or franchising any tax return preparation business in the future.

According to the court's order, Gretchen Alvarez, aka Gretchen Trejo, consented to entry of the injunction, which permits the United States to conduct post-judgment discovery to monitor compliance. The terms of the order require that Alvarez, both individually and doing business as Sick Credit Repair, Tax and Legal Services, **send notice of the injunction to multiple individuals**, and, during the tax filing season, **advertise the injunction** in places where she conducts business.

The civil complaint filed against Alvarez alleged that she prepared federal income tax returns for Rockford-area taxpayers that significantly understated her customers' tax liabilities by **fabricating business losses**, which fraudulently reduced her customer's legitimate W-2 taxable income. The complaint also alleged that Alvarez falsely claimed that some of her customers **attended higher education institutions to fraudulently claim education credits** on the returns she prepared.

# Virginia Tax Return Preparer Sentenced to Over 12 Months for Evading Her Own Taxes

A Richmond, Virginia, tax return preparer was sentenced yesterday to one year and a day in prison for evading her own taxes.

According to court documents and statements made in court, Willette J. Holland owned Tax Professionals, a return preparation firm located in Richmond, Virginia. In August 2014, the IRS contacted Holland because she had not filed personal tax returns for the years 2010 through 2013. **Holland then presented false returns to an IRS Revenue Agent for those years, which substantially underreported her gross receipts and taxes due.** In 2014, 2015 and 2016, Holland again did not file tax returns despite being required to do so by law. To further conceal her earnings from the IRS, in 2014, **Holland deposited almost all of her tax preparation business's gross receipts into a bank account held in the name of a nominee.** In all, Holland caused the IRS to suffer a tax loss of approximately \$177,000.

In addition to the term of imprisonment U.S. District Judge Robert E. Payne ordered Holland to serve three years of supervised release.

# Maryland Tax Preparer Indicted for Preparing False Returns

A federal grand jury in Greenbelt, Maryland, returned an indictment today charging an Upper Marlboro tax return preparer with conspiracy to defraud the United States and aiding and assisting in the preparation of false tax returns.

According to the indictment, Anita Fortune provided tax preparation services under multiple business names, including Tax Terminatorz Inc. Fortune allegedly prepared and filed returns using co-conspirators' electronic filing identification numbers and identifiers. In addition, Fortune allegedly provided money and office space in exchange for her co-conspirators' electronic filing credentials. For the tax years 2012 to 2018, Fortune, along with her two co-conspirators, allegedly added fictitious or inflated itemized deductions and business losses to clients' returns, which fraudulently reduced their tax liabilities and increased their refunds.

If convicted, Fortune faces a maximum sentence of five years in prison for the conspiracy count and three years for each false return count. Fortune also faces a period of supervised release, restitution, and monetary penalties.

# Federal Court Permanently Enjoins Tax Return Preparer in Illinois

A federal court in the U.S. District Court for the Northern District of Illinois has permanently enjoined a Rockford-area tax return preparer from preparing returns for others and from owning, operating or franchising any tax return preparation business in the future.

According to the court's order, Gretchen Alvarez, aka Gretchen Trejo, consented to entry of the injunction, which permits the United States to conduct post-judgment discovery to monitor compliance. The terms of the order require that Alvarez, both individually and doing business as Sick Credit Repair, Tax and Legal Services, **send notice of the injunction to multiple individuals**, and, during the tax filing season, **advertise the injunction** in places where she conducts business.

The civil complaint filed against Alvarez alleged that she prepared federal income tax returns for Rockford-area taxpayers that significantly understated her customers' tax liabilities by **fabricating business losses**, which fraudulently reduced her customer's legitimate W-2 taxable income. The complaint also alleged that Alvarez falsely claimed that some of her customers **attended higher education institutions to fraudulently claim education credits** on the returns she prepared.