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# The IRS Turns Up the Heat

The Myth and The Misery

The *Orlando Sentinel*, in a huge front-page headline on February 2, 2008 read:

**“SNIPES GUILTY...AND NOT GUILTY”**

Wesley Snipes narrowly escaped up to 16 years in prison as his attorneys were able to convince a jury that “he was a victim of unscrupulous advisers,” and he should not be held criminally accountable for not filing or paying any income taxes for three years. Although he incredibly escaped the criminal conviction, he was found guilty of failing to file income tax returns and owes the IRS millions in back taxes and massive penalties. The IRS will continue to make his life miserable for years to come.

I have been practicing for 35 years and have been involved in more than 300 IRS examinations from routine office audits to the Tax Court. Here are some “cardinal rules” to live by when dealing with the IRS:

[1] Always file a tax return, even if it requires estimates and a later amended return. Penalties accrue at 5% per month for not filing a tax return. After five months a \$10,000 tax bill will be \$12,500 plus interest.

[2] If it seems too good to be true, trust your instincts. Did Snipes really believe that he could make tens of millions of dollars and not pay any income taxes? There are endless tax schemes that are simply illegal. If you want to know about some of these “abusive tax schemes” go to [www.irs.gov](http://www.irs.gov) and in the search field type “abusive tax schemes.” The IRS is more than happy to show you the schemes that they are actively prosecuting.

[3] Do not hire “unscrupulous advisers.” If you are serious about your business, hire a CPA firm that has the depth and knowledge of the tax law to be sure you pay only what you are legally required to pay – nothing more, nothing less.



**The IRS may appear and sound friendly, but they are not your friends.**