

At FTC's Request, Court Halts Nationwide Tax Relief Scam That Collected More Than \$60 Million

Company's Owners Lived Lavish Lifestyle, Targeted Financially Distressed Consumers

At the request of the Federal Trade Commission, a federal judge has halted a national operation that allegedly bilked consumers out of more than \$60 million by falsely claiming it can reduce people's tax debts – the company's California state business license was suspended last year for not paying its own taxes, the FTC alleges. The FTC is seeking to make the defendants pay restitution to victims.

"We've made it a top priority to go after scammers who try to exploit the financial hardship of others," said David C. Vladeck, Director of the FTC's Bureau of Consumer Protection. "For people having a tough time paying their taxes, the last thing they need is to lose more money to a fraud."

According to the FTC, in TV, radio and Internet ads, American Tax Relief LLC falsely claims it can settle consumers' delinquent federal and state taxes for a fraction of the amount they owe. The company also falsely claims that it can remove tax liens and stop wage garnishments, bank and tax levies, property seizures, and "unbearable monthly payments." For example, the company's website states, "The IRS is currently accepting a fraction of back taxes owed to them (sic) for those who qualify. The IRS is allowing the people with delinquent tax liabilities a ONE-TIME opportunity to settle the debt ONCE AND FOR ALL. But at the same time, the IRS does not advertise, promote or even voluntarily suggest this program."

The FTC alleges that the company has continued its deceptive practices even after federal agents executed a criminal search warrant on the operation's Beverly Hills business premises in April, 2010. At that time, criminal authorities seized money from bank accounts and a Ferrari from the company's owner, and placed liens on two residences, including a \$3.4 million house. At the time, one of the company's owners was leasing six other vehicles, including a Rolls Royce, a Bentley, two Porsches, and two Mercedes-Benzes, according to exhibits the FTC filed in court.

American Tax Relief charges up-front fees ranging from about \$3,200 to \$25,000 for the purported tax relief services. The company's ads include a toll-free number for consumers to call for a "free consultation." After speaking briefly with commission-based sales people who are supposedly "tax consultants," virtually all consumers are told that they "qualify" for a tax relief program, and that American Tax Relief can help them significantly reduce their tax debts, the FTC complaint alleges.

In reality, very few of the company's customers qualify for the promised tax relief programs, which are available only in very limited circumstances. Most people who hire the company would qualify at most for installment payment plans, which still require payment of the full amount owed, and which many taxpayers can easily arrange by themselves.

Many consumers are told that they qualify for an "Offer in Compromise," which the Internal Revenue Service states is its only program that allows people to avoid paying the full amount of back taxes, and is available only in limited circumstances; taxpayers are eligible only after other payment options have been exhausted and the person's ability to pay has been reviewed.

Other consumers are told that they qualify for a "penalty abatement," which the company claims will eliminate both accumulated penalties and interest stemming from late payments. However, a penalty abatement is considered by the IRS only in very limited circumstances for people who have "reasonable cause" for the late payments, such as death, serious injury, natural disaster or the like. The FTC alleges that the company does not gather sufficient information from consumers to know whether they would be likely to qualify for either an Offer in Compromise or a penalty abatement.

The FTC's complaint names Alexander Seung Hahn, Joo Hyun Park, and American Tax Relief LLC. Park's parents, Young Soon Park and Il Kon Park, are named because they are allegedly holding funds obtained from the defendants' customers. On September 24, 2010, a federal judge in Chicago entered a temporary restraining order prohibiting deceptive claims, freezing the defendants' assets, and appointing a receiver to manage the company.

The Commission vote to file the complaint was 5-0. The complaint was filed in the U.S. District Court for the Northern District of Illinois, Eastern Division.

To help consumers who may be having trouble meeting their tax obligations, the FTC created [“Owe Back Taxes? Tax Relief Companies Can Result in More Pain than Gain,”](#) which is available on the agency’s website.

NOTE: The Commission files a complaint when it has “reason to believe” that the law has been or is being violated, and it appears to the Commission that a proceeding is in the public interest. The complaint is not a finding or ruling that the defendants have actually violated the law.