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Tax Wisdom From Wesley Snipes: Better Not To File, Than To File Falsely

Wesley Snipes may not be the one who invented this tax rule, but he's certainly the best-known example of it. It's about the difference between *skipping* tax filings—not to be recommended—and filing *falsely*, which is even worse. In the run-up to April 15th, the IRS and Justice Department *want* you to think about tax filings. That's why there are so many criminal tax cases in the media this time of year.

Tax filings are a great leveler. Everyone with income above a certain level must file a return. And you must sign tax returns under penalties of perjury. Yet, taxes are complex, and the line between creative tax planning and tax evasion can be less clear than you might think. That's where Mr. Snipes came in.



Wesley Snipes at the world premiere of "Chi-Raq" at the Chicago Theatre on Nov. 22, 2015 in Chicago. (Photo by Barry Brecheisen/Invision/AP)

The U.S. taxes all income wherever you earn it. So, do not argue that only foreign-source income is taxable, making your domestic income exempt. It was a variation of this bogus theory that got Mr. Snipes in trouble, consigned to three years in prison. Stay away from crazy arguments.

In fact, if you are so off the charts that your tax return would be considered of the tax protester variety, you might have smaller criminal exposure by not filing at all. Curiously, that was a key tax lesson from Wesley Snipes. You can be prosecuted for failure to file, or for filing falsely. Mr. Snipes was [convicted of three misdemeanor counts](#) of failing to file tax returns. Filing falsely is a felony.

As Snipes' misdemeanor convictions show, failing to file carries smaller penalties than filing fraudulently. In 2008, Snipes was [convicted](#) of failing to file tax returns. He was one of the more high profile criminal tax defendants in recent memory, facing prosecution on multiple serious felony tax evasion

counts. It was a partial victory for Mr. Snipes, since he defeated the more serious felony counts.

But he got prison time, reporting to jail on December 9, 2010. He was released in April 2013. His tax case could have come out much worse. During 1999 through 2001, Snipes avoided \$7 million in taxes. Snipes followed an accountant and an anti-tax advocate down a dangerous path. The advisers [claimed](#) they did not legally have to pay taxes.

One of Snipes' original defenses was that he was relying on Eddie Ray Kahn and Douglas P. Rosile. They too were convicted of tax fraud and conspiracy, and both got longer prison terms than Mr. Snipes. Snipes was such a well-known figure and high earner—about \$40 million from 1999 to 2004—that not paying taxes was hard to fathom.

Yet Mr. Snipes was acquitted of the more serious counts of felony tax fraud and conspiracy. Mr. Snipes appealed his misdemeanor convictions, arguing that his sentence was unreasonable. He also claimed he couldn't get a fair trial in Ocala, Florida because of his race. Even the U.S. Supreme Court turned him down.

Post-prison, Mr. Snipes' fought with the IRS about civil tax collections, which is not uncommon after a criminal tax case. The IRS may try to leverage off the conviction with civil collections. Often, the IRS succeeds. Eventually Mr. Snipes resorted to [taking the IRS to court](#) to fight IRS assessments made in 2013 that went back more than 10 years.

Whatever you may think of Mr. Snipes, he was probably led astray by an accountant and an anti-tax advocate. That is never a complete excuse, but the fact that it may be understandable to a jury that people can be misled may have helped. And he might still take some solace from knowing that he [didn't file false tax returns](#).

For alerts to future tax articles, email me at Wood@WoodLLP.com. This article is not legal advice.