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THE TAX LAWYER

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### Trafficking In Tax Shelters Can Mean Jail



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It may seem odd to equate [tax shelters](#) with illegal drugs. Then again, there are similarities. Both are meant to be secret. Both involve large amounts of money. And both can hype you up and then bring you crashing down. Just when you thought everything would be rosy, you can end up feeling downright miserable. See [“DAD” Tax Shelter Is A Deadbeat.](#)

And I’m only talking about *investing* in shelters, not dealing them to others. Trafficking in tax shelters may not get you killed, but it can still get you sent to the [big house](#). And you thought an IRS audit, tax

dispute, then more taxes, penalties and interest were bad enough.

Just consider what happens if you’re the *dealer* who’s selling a poison-laced shelter. You might know it’s poison when you sell it or you might find out later. You’ll probably end up in a bunch of [civil suits](#), which won’t be pretty.

But on top of everything else, the government can prosecute you for promoting it. The feds have sentenced [Richard Muto](#) of Niagara Falls, New York to 36 months in prison and a year of supervised release for his role in pushing these deals. See [Muto gets 3 more years in jail](#). Here’s what he did.

Muto was a financial advisor and owned Tax and Investment Strategies in Niagara Falls, New York. He marketed [abusive trust schemes](#) for two different vendors, American Asset Protection based in Palm Beach County, Florida, and later [The Aegis Company](#), based in Palos Hills, Illinois. Both were problems waiting to happen.

The hapless customer—call him Joe Taxpayer—would get a series of domestic and foreign trusts and international business corporations (IBC). Hey, seems like you got a lot of paper for your money. Joe Taxpayer could then divert his personal income and assets into this “structure.”

The supposedly “independent” trusts and IBCs would create the rosy impression that Joe relinquished control of the income and assets, but this was all a sham, all smoke and mirrors. The trusts and IBCs secretly remained under the complete control of Joe Taxpayer. Talk about having your cake and eating it!

Muto told lots of Joe’s out there that these multi-layered trusts legitimately reduced or eliminated their federal income taxes. Presto! Meanwhile, everything remained Joe’s and he could do what he wanted with it. Muto told Joe not to worry.

Meanwhile, Joe and others were filing false tax returns, either believing Muto or not asking too many questions. Muto had an answer for the inevitable IRS queries too: The best defense is a good offense.

When the IRS tried to inquire or figure it out, he had a prepackaged way to get them off the scent. He told all the Joes to submit frivolous correspondence to the IRS and to just intimidate the IRS agents. That would thwart audits of the trusts he was promoting.

Who was Muto’s best customer testimonial? Reminding me of the old [Hair Club for Men](#) commercials: (“I’m not just the president of the Hair Club for men, I’m also a customer”), the best testimonial was himself! That meant Muto filed false returns for 1996, 1997 and 1998.

Soon he’ll be doing a big promotional deal on his latest product: license plates.

For more, see:

[Know Tax Shelters When You See Them?](#)

[Tax Shelters Not Über Alles](#)

[Seeking Shelter In Tax Shelters?](#)

[How Bad Is Your Tax Shelter?](#)

[Taxes As Seen On TV?](#)

[When Too Good Tax Deals Become Fraud](#)

[IRS – Abusive Tax Shelters And Transactions](#)

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