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10 Notorious Tax Cheats: Wesley Snipes Hired Tax Professionals But Still Was Jailed

From 1999 through 2001, Wesley Snipes avoided \$7 million in taxes. He surely would have paid it willingly had he known that the government would go after him in a full court press. The government was able to nab a high-earning celebrity and teach a lesson to tax protesters at the same time. Sadly, Mr. Snipes followed an accountant and an anti-tax advocate down a dangerous and costly path.

The advisers [claimed](#) that they did not legally have to pay taxes. Sounds alluring, doesn't it? Snipes was such a well-known figure and high earner—raking in about \$40 million from 1999 to 2004—that not paying taxes was hard to fathom. In fact, Mr. Snipes claimed that he relied on Eddie Ray Kahn and Douglas P. Rosile. They were convicted of tax fraud and conspiracy, and both got [longer prison terms](#) than Mr. Snipes did.

In 2008, Mr. Snipes was [convicted of three misdemeanor counts](#) of failing to file tax returns. He was sentenced to three years, and reported to the [McKean Federal Correctional Institution](#), a medium-security prison in Pennsylvania, on December 9, 2010. He finished in 2013 at the adjacent prison camp, a minimum security [Club Fed](#) as inmate number 43355-018.

The Federal Bureau of Prisons quietly released him on April 2, 2013. However, it could have been much worse. The big victory for Snipes was that he was acquitted of felony tax fraud and conspiracy. He was only convicted of misdemeanor charges, since he [didn't file false tax returns](#). Even so, Snipes appealed, arguing that his 3 year sentence was unreasonable. He claimed he couldn't get a fair trial because of his race, but even the U.S. Supreme Court turned him down.

Snipes was convicted of the misdemeanor of failure to file, while filing falsely is a felony. You must file a tax return each year with the IRS if your income is over the requisite level, and the U.S. taxes *all* income wherever you earn it. There are numerous bogus theories taken up by tax protesters for explaining why they are not legally obligated to pay. Mr. Snipes fell prey to a variation of the argument that only foreign-source income is taxable. If you have domestic income, the crazy theory, goes, it is tax-exempt.

[10 Notorious Tax Cheats](#)

This kind of tax protester argument can land you in civil or criminal trouble with the IRS. In IRS lingo, a "frivolous" label is about as bad as you can get, just shy of the other 'f' word, "fraudulent." Using these 'f' words can be expensive and could even involve jail time, as it did for Mr. Snipes. Even in a purely civil tax dispute, if the IRS finds your argument or tax position to be frivolous, it can mean a 20% accuracy-related penalty ([Internal Revenue Code Section 6662](#)); and even a whopping 75% civil fraud penalty ([Section 6663](#)).

There are many inter-related tax code provisions in play. If you take a position deemed frivolous on an amended return asking for money back, you can also be hit with a 20% erroneous claim for refund penalty ([Section 6676](#)). Plus, if you file your return late including frivolous positions, the usual penalties for fraudulent failure to timely file an income tax return can be *tripled* up to *another* whopping 75% ([Section 6651\(f\)](#)).

It's not only frivolous tax returns that are examined. Frivolous *other* tax forms can trigger penalties too. If you argue frivolous tax positions in court, the court can impose a penalty of up to \$25,000 if it concludes that: your position is frivolous; that you instituted a proceeding primarily for delay; or that you unreasonably failed to pursue your administrative remedies (that is, went to court without going through all [IRS appeals procedures](#) first).

Released from custody in 2013, Snipes Mr. Snipes was back to acting in 2014's 'The Expendables 3.' But at its [premiere](#), he was served with a lawsuit from his PR firm over payments for work it did while Mr. Snipes battled criminal tax charges. In 2015, he landed role in a pilot called 'Endgame.' Mr. Snipes plays Johnson, described by [Hollywood Reporter](#) as an unflappable Las Vegas pit boss who can clean up messes. The show also stars Philip Winchester as a former-sniper-turned-security-expert.

After big legal and financial setbacks, Mr. Snipes is probably not likely to believe someone who tells him he doesn't have to pay taxes. You have to be careful who you hire and who you trust. You also must remember that every taxpayer is responsible and must sign his or her tax return under penalties of perjury. Even in Vegas, some things are inevitable.

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