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Best And Worst Tax Excuses To Fix IRS Penalties

If you cheat on your taxes, file late or commit some other offense, do you have a good explanation? Your dog ate your tax return or your receipts? Some excuses can be basic, perhaps too much so. Remember the “[I forgot](#)” defense popularized by Steve Martin on Saturday Night Live? It’s unlikely to be effective.

There are many [tax excuses](#), and some work better than others. Unfortunately, there’s no excuse to get you out of paying tax entirely. Still, some excuses can obviate penalties. Some will even avoid criminal liability. Relying on a professional tax adviser is one of the classic excuses. It goes like this: I hired a professional, and they told me to do it that way.

It may be the most common way taxpayers use to establish ‘reasonable cause’ for some kind of error. It works well, although you must meet certain minimum requirements. And sometimes there are [IRS penalties even though you relied on an adviser](#). How about my software made me do it?



I used to think the [TurboTax defense](#) was silly, but no more. Former Treasury Secretary [Timothy Geithner](#) made it famous. His example prompted regular Joe taxpayers to try the TurboTax defense too. After a string of cases in which it failed, the Tax Court embraced it in [Olsen v. Commissioner](#). Mr. Olsen was a patent attorney who blamed his tax mistakes on his tax preparation software. He claimed that should excuse penalties and the Tax Court agreed.

Mental or substance abuse problems? There's case law treating mental problems or substance abuse as a [defense](#) to criminal tax charges. Few people are accused of [tax crimes](#). Yet many face tax penalties of one sort or another.

Apart from tax crimes, it can be frightening enough to have tax problems with significant [civil penalties](#). Many can be whoppers, including the 75% civil fraud penalty and the 100% trust fund recovery assessment. To help get you out of a tax jam, the claimed medical or psychiatric disability must be real and you need some paperwork to prove it.

But in appropriate cases, the IRS or courts will rely upon it. For example, an IT consultant and convicted fraudster was pretty effective in arguing against punishment for his tax crimes. He avoided going to [jail by blaming his tax fraud on his bipolar disorder](#). His name was Andrew Mottershead, and he filed false tax returns claiming extra business expenses. Tax officials let him off with a warning, as long as he agreed to pay the money back.

Then Mr. Mottershead did it again, filing more false returns and running up outrageous expenses. When Mottershead was prosecuted for a second time, he claimed he committed his crimes during manic episodes of bipolar disorder. The court believed him and spared him a prison sentence, sentencing him instead to a two-year suspended sentence.

It clearly helped that the defendant was being treated for his condition. The judge said: "Where the balance lies between bipolar disorder and greed is very difficult to assess, and I'm not equipped to do it. But I can't ignore the medical condition."

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