

# 'Chrisley Knows Best' Couple Is Convicted, Tips to Steer Clear

By Robert W. Wood

Unlike the live-streamed Johnny Depp and Amber Heard trial, you couldn't watch the federal criminal trial of TV's Todd and Julie Chrisley of TV's "Chrisley Knows Best", unless you went to Atlanta. But there was still plenty of drama and even bigger stakes. The Chrisleys were indicted on 11 counts of tax evasion and bank fraud in 2019, and a superseding indictment came in 2022. They were convicted of all charges by a jury in Atlanta, with sentencing to occur later. The pair could face decades in prison. Their accountant, Peter Tarantino, was found guilty.

From the start, Mr. Chrisley declared his innocence and blamed a former employee for taking false documents to the feds and trumping up charges. The U.S. Attorney's Office painted a very different picture, alleging that the Chrisleys and their accountant tried to obstruct IRS collection efforts, hide income, lied about their taxes, and in the accountant's case, even lied to the FBI and the IRS. Many cases settle with a plea deal on lesser charges, but the Chrisleys went to trial. The prosecution convinced the jury that the reality stars submitted false documents to banks to get loans and failed to pay federal income taxes for multiple years, spending the \$30 million in bank loans on a lifestyle they could not afford.

After starting to earn \$6 million in the first three seasons, the feds claimed that the Chrisleys tried to hide their money from the IRS. The Chrisleys' verdict reveals some universal lessons about taxes and dealing with the IRS.

**Tax Connects to Everything.** Saying different things to your bank and to the IRS can be a major mistake. The feds claimed that from 2007 through 2012, Todd and Julie Chrisley conspired to defraud numerous banks by providing the banks with false information such as personal financial statements containing false information, and fabricated bank statements when applying for and receiving millions of dollars in loans. Prosecutors alleged that after fraudulently obtaining these loans, the Chrisleys used much of the proceeds for their own personal benefit. In 2014, two years after the alleged bank fraud scheme ended, the feds allege that Todd and Julie Chrisley used fabricated bank statements and a fabricated credit report that had been physically cut and taped or glued together when applying to lease a home in California.

**File Your Returns on Time.** This one is obvious. You draw extra attention to yourself if you file your returns late. Not paying is a problem too and draws attention. But even if you can't pay it all—or even any of it—right away and need to go on a payment plan, prepare and file your (accurate) returns, on time.

**Watch Lavish Spending.** If you are behind in taxes, or especially if you are crying poor to the IRS, watch out. In February 2017, Todd Chrisley publicly claimed on a national radio program "obviously the federal government likes my tax returns because I pay 750,000 to 1 million dollars just about every year so the federal government doesn't have a problem with my taxes." That may sound like bluster, but the feds did

not like it. In fact, in contrast to the remarks, prosecutors claim that Todd and Julie Chrisley did not timely file income tax returns for the 2013, 2014, 2015, and 2016 tax years or timely pay federal income taxes for any of those years.

**Tax Audits Can Become Criminal.** Our tax system is complicated, and even bad mistakes are common. But criminal tax cases are still rare. Yet a regular civil tax audit can turn into a criminal tax case with the risk of jail time, depending on how you behave during the audit. If an IRS auditor discovers something suspicious in a civil audit, the auditor can notify the IRS's Criminal Investigation Division.

The IRS is not obligated to tell you that this criminal "referral" is occurring. In fact, normally, the civil auditors may suspend the audit without explanation. You might be pleased, thinking that the audit is over, or at least mercifully stalled so that it might not ever resume. Meanwhile, the IRS can be quietly building a criminal case against you.

**Don't Make False Statements.** False statements to anyone from the IRS is a huge mistake. In fact, that's one reason for hiring professionals to help. Conduct during the audit itself can be pivotal, and is one reason to hire professionals to handle it. Some people end up in criminal tax trouble because they mishandled a civil IRS audit.

Whether it is the FBI or the IRS asking questions, don't lie. And don't engage in evasive or obstructionist behavior during an IRS audit. You may think you can outsmart the IRS or manipulate the government to come out ahead. You do not have to agree with everything the IRS says in an audit. But, there is an established way of proceeding, and an above-board way to communicate with the IRS. Deception and obstruction are not the way.

The IRS does not take kindly to that sort of thing. You might think of it as another example of the cover-up sometimes being worse than the crime. Time and again, evasive or obstructive behavior *during a tax audit* seems to be a pretty reliable way of landing in very hot water. So be careful out there. It can backfire in a big way.

**Keep Personal and Business Separate.** Keep business and personal separate if you can. Trying to morph personal matters into business is asking for trouble. For example, don't try to deduct the cost of your divorce because your business is at risk. It is still personal. Likewise, don't try to deduct a miserable vacation with your best client.

Of course, the tax code doesn't entirely rule out double duty, and there are many provisions in the tax law that recognize dual purposes. Still, try to avoid such dual-purpose goals, and do your best to categorize things appropriately. Your tax life will be easier and safer. Even criminal tax cases can spring from this fundamental rule. Some cases start with sloppy record-keeping and a lack of respect for the line between business and personal.

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