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# DMX And Floyd Mayweather Tax Troubles Show How Not To Deal With IRS

Tax problems—whether civil or criminal—often hold lessons for everyone else. Sure, you might want to emulate a Warren Buffett, or even a Donald Trump, if you think they made a tax savvy move you can copy. You are less likely to want to emulate Wesley Snipes, who followed a kind of tax protester strategy. It ended up interrupting his film career badly, sending him to prison for three years, and costing him millions. Even after that, [Snipes fought with the IRS over tax bills he claimed were abusive and false](#). Some



of the lessons one can learn from Snipes—such as getting independent advice and not handling all of your affairs over to others—still ring true.

There are also lessons in the recent tax problems that are still unfolding for DMX (also known as Earl Simmons), and even boxing great

Floyd Mayweather, Jr. Plainly, DMX is in much hotter water. Accused of 14 separate criminal counts, [the charges against DMX, if proven, could land him in prison for up](#)

[to 44 years](#). The charges include corruptly endeavoring to obstruct and impede the due administration of Internal Revenue Laws, evasion of payment of income taxes, evasion of assessment of income tax liability, and failure to file a U.S. individual income tax return.

DMX has pleaded not guilty, but these cases are tough to win with the kind of evidence prosecutors are likely to have. In the past, DMX served time in jail for drug possession, felony theft, dog fighting, reckless driving and failing to pay child support. But these new and serious charges go back to tax scuffles he had with the IRS many years back. They involve \$1.7 million in alleged tax liabilities that I'll bet DMX now wishes he had paid. The indictment alleges that Simmons' earnings from musical recordings and performances from 2002 through 2005 meant that he owed federal income tax liabilities of approximately \$1.7 million. Those early liabilities went unpaid.

Then, in 2005, the IRS began efforts to *collect* on these unpaid tax liabilities. That's when Simmons' alleged conduct went from bad to worse. Plus, from 2010 through 2015, Simmons earned over \$2.3 million. Even so, prosecutors say he did not file tax returns for those years. Instead, prosecutors say he orchestrated a scheme to evade payment of his outstanding tax liabilities. He maintained a cash lifestyle, and avoided using personal bank accounts. He even used the bank accounts of nominees, including business managers to pay personal expenses. Simmons would get his managers to accept the royalties, and then give Simmons cash, the feds allege. Any kind of duplicity is likely to hurt his defense badly.

As for Mayweather, his case may be more cash mismanagement than anything else. His tax case is civil, and appears to only be about taxes that he *admits* he owes. Well, his public statements say he gave the IRS \$26M, but seems to ask how the IRS could possibly want more! Yet the timing suggest that these are not tax bills after an audit. Mayweather presumably filed his 2015 tax return in 2016, but only sent the IRS part of the money. It is easier to understand a surprise and a shortfall where the IRS says you owe *additional* taxes. Sure, most of Mayweather's income is probably via contract, without tax withholding, and maybe he was somehow surprised at the size of his 2015 tax bill.

However, you would think that his team of advisers and professionals would make sure that the amounts anticipated for that's year's taxes would be reserved for that purpose. If you are investing, you arguably shouldn't tie up money you must pay the IRS

soon. The math would not seem to be that difficult. Athletes and entertainers often have people that do these sorts of things for them, but here, something must have been missed. Speaking of much bigger errors, the serious DMX indictment, [U.S. v. Earl Simmons Indictment](#), is worth reading for what *not* to do.

*For alerts to future tax articles, email me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not legal advice.*