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THE TAX LAWYER

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### Freedom Law School Tax Evader Gets Prison Sentence

The right to protest may be fundamental, but tax protesters are sometimes treated differently than others. You can be called a lot of things, but in the tax world, you do not want to be called a tax protester or tax denier. Despite free speech protections, some arguments about taxes seem almost as incendiary as yelling 'fire' in a crowded theater.

Tax protesters or tax deniers generally voice arguments that are so extreme the IRS puts them in a special category. In IRS lingo, "[frivolous](#)" is also bad, just shy of the other "f" word, "fraudulent." Using these F words can get expensive, and possibly even involve jail time. Remember Wesley Snipes?

Richard Thomas Grant, 63, of Point Richmond, California, was found guilty of three counts of tax evasion following a jury trial. And he has now been [sentenced to 33 months in prison](#). In 2001, Grant stopped filing individual income tax returns and paying income taxes.



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But he was collecting significant income as a partner with Grant Engineering & Manufacturing, an engineering company in Richmond, California. In 2003, Grant stopped filing annual partnership returns for Grant Engineering, even though he continued to pay a CPA to prepare them. That same year, Grant became a member of Freedom Law School and paid thousands of dollars in yearly membership fees.

The IRS attempted to collect Grant's unpaid taxes for 2001 and 2002, and attempted to examine Grant's taxes for subsequent years. But Grant, with help from Freedom Law School and its founder, Peymon Mottahedeh, attempted to frustrate the IRS's actions. Among other actions, they filed multiple lawsuits to tie up the IRS in multiple courts.

For 2005 through 2009, Grant's partnership income was \$509,339, \$566,741, \$486,062, \$598,977 and \$604,706, respectively. In an effort to conceal his assets and income, in 2005, Grant significantly curbed his use of checking accounts. Instead, he began depositing his partnership distributions at a warehouse bank known as MyICIS in Berryville, Arkansas.

Warehouse banks can conceal ownership of funds in part by commingling funds with those of other individuals. Between April 2005 and October 2006, Grant wrote hundreds of checks drawn on the MyICIS account and funded

multiple prepaid debit cards. Grant used the checks and debit cards to pay his mortgage and other personal expenses.

After the feds shut down MyICIS, Grant used another bank to convert his partnership distributions to cashier's checks and cash. That way, he avoided depositing the funds into a bank account. He used the cashier's checks to pay his mortgage and other high-dollar personal expenses.

He also used cash to purchase dozens of U.S. Postal money orders to pay other bills and expenses. He paid his utilities, taxes and expenses related to his classic aircraft. In addition to 33 months in prison, Grant was ordered to serve three years of supervised release, and pay restitution to the IRS in the amount of \$402,457.39.

In 1998, Congress prohibited the IRS from labeling individuals "illegal tax protesters." Congress also ordered the IRS to purge the "protester" code from the computer files of 57,000 Americans. But lawmakers didn't stop the IRS or the courts from [imposing stiff penalties](#) on those who make [traditional protest arguments](#) or take other positions that [the IRS deems to be "frivolous."](#)

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