Forbes

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THE TAX LAWYER

TAXES 06/12/23

IRS Tax Lessons From Trump Indictment

Plainly, the indictment of former President Donald Trump is not about taxes. There are no tax charges, and it does not appear that any of the documents in question had anything to do with taxes. The documents were allegedly a lot more important than that. So how, then, could there be any tax lessons here?

I admit that I see most everything through a tax lens, but there are still lessons here for taxpayers. When it comes to the IRS, the coverup is often worse than the crime. Our tax system is complicated, and even bad mistakes are common. But criminal tax cases are rare. Experienced tax lawyers will tell you that a common way of turning a regular tax case into a criminal one is obstructive or evasive behavior with the IRS.

A regular civil tax audit can turn into a criminal tax case with the risk of jail time just for how you behave during the audit. Many criminal tax cases come out of plain old civil audits. If an IRS auditor discovers something suspicious in a civil audit, the auditor can notify the IRS's Criminal Investigation Division. Notably, the IRS is not obligated to tell you that this criminal referral is occurring.

In fact, 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. False statements to auditors are a huge mistake. 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 only because they mishandle 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. Some taxpayers in a civil audit may think they can outsmart the IRS or manipulate the government to come out ahead. That doesn't mean you have to agree with everything the IRS says in an audit.

However, there is an established way of proceeding, and an above-board way to communicate with the IRS. Deception and obstruction are not the way. A person may *think* that preparing false invoices, fake receipts, and made up expenses can get them *out* of trouble. Usually, the reverse is true. It is one reason why talking to the IRS in an audit or investigation can be dangerous.

In most cases, a tax audit is civil and there is little risk that it will become otherwise. But any kind of evasive behavior or coverup is very dangerous. For example, moving money around from account to account so the IRS does not levy on it can land you in serious trouble. Even if you are just trying to work out a payment plan with the IRS, the forms the IRS requires you to sign must be signed under penalties of perjury. Don't take them lightly.

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