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## Mother Son Duo Sentenced To Prison Over Corporate Income Tax Returns

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Becoming an officer of a company is an accomplishment, but it can bring responsibilities too. There are payroll tax responsibilities and even corporate tax returns can bring potential liability. Even if the officer does not personally benefit from tax returns that are fraudulent, officers can bear some responsibility. In the context of family companies, that should hardly be surprising. Take the recent case of San Francisco residents, Howard Hsu and his mother, Tracy Chang. They were [sentenced to prison](#) after being convicted of tax fraud charges.

Hsu was ordered to serve 33 months in prison, and Chang was ordered to serve 12 months and one day in prison. Hsu and Chang were found guilty by a jury of conspiring to file fraudulent corporate income tax returns, filing false tax returns, and aiding the preparation of false tax returns. According to the evidence presented at trial, Hsu, 36, owned and operated Didsee Corporation, a business incorporated in Nevada. The company provided advertisement-marketing services to online websites and marketplaces. His mother, Tracy Chang, age 65, was the company bookkeeper.

But she was also listed as the President, Secretary, Treasurer and Director. She opened bank accounts for the business, transferred money between accounts, and paid the company's bills. Prosecutors also claimed that the company was deducting personal expenses as business expenses. It appeared that the expenses were predominantly the son's, and that he took pains to provide false summaries of these expenses to the company's outside tax return preparers. In fact, the preparers claimed business expenses that were not actually incurred at all. They also included Hsu's personal expenses on the company returns as legitimate business expenses.

The mother then signed the fraudulent returns as the company's President. Prosecutors claimed that the mother and son duo simply wiped out all the tax due on the returns for each year in question. Hsu and Chang conspired together to file fraudulent 2008 through 2009 corporate income tax returns, and an

amended 2007 corporate tax return. In all, prosecutors claimed that they cheated the IRS out of approximately \$500,000. In addition to the terms of imprisonment, Hsu and Chang were ordered to serve three years of supervised release, to pay \$396,306 in restitution to the IRS, and to pay fines of \$75,000 and \$7,500, respectively.

You must sign under penalties of perjury, so don't [lie on your tax return](#). You may never be audited, but you *might* be. The vast majority of tax audits are civil, and have little risk of criminal liability. Still, a majority of criminal tax cases start with a civil audit. And a claim that you do not know what is in the return may not work. In fact, the courts have consistently ruled that taxpayers have a duty to read their returns to ensure that all income items are included. Since as early as 1928, courts have held that even if all data is furnished to the return preparer, the taxpayer still has a duty to read the return and make sure all income items are included. See [Mackay v. Commissioner](#), 11 B.T.A. 569 (1928).

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