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THE TAX LAWYER

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Pilfering Office Supplies Can Mean Tax Evasion & Prison

The IRS wants you to report *everything* correctly, and that means [everything](#). It is one reason that seemingly innocuous slips of paper like Forms 1099 are so important. Everyone is matched to your Social Security Number. Surprisingly, though, if you are [missing a form 1099, you shouldn't ask for it](#).

Of course, everyone makes mistakes, and taxes are complex. This year, there are additional [Obamacare filings to cause some backlash](#). But no matter how frustrated you may be about taxes, the last conversation you want to have with the IRS is about fraud or evasion. If you find yourself in that situation, you'd [Better Call Saul](#).

Take Eduardo C. Partida of South Gate, California, who worked at Ikon Office Solutions. He pleaded guilty to making a false statement on his 2009 tax return that shortchanged the IRS \$2,235. While working for Ikon Office Solutions, Mr. Partida was assigned to the Hilton Worldwide business office in Beverly Hills. He worked in the mail room where he misappropriated and sold toner cartridges.

He was paid by check and deposited them into his bank, using the proceeds for personal and family expenses. Partida admitted unreported income of \$240,990 between 2005 and 2009. The total tax loss to the government was \$49,000. Yet the count he plead guilty to was for 2009, an unreported \$14,600, with a tax loss to the IRS of \$2,235.



He is scheduled to be sentenced on February 23, 2015. He faces a maximum of three years imprisonment, a fine of \$250,000, and could be ordered to pay restitution. Often, the IRS and Justice Department will time indictments and arrests during tax season. They can put fear into millions of Americans hovering over their tax forms and computers. Some who are about to file may think a little bit harder.

That is good because under-reporting is a terrible idea. Criminal enforcement of the tax laws is up. Some of the uptick is about offshore accounts, and no bank account anywhere can be considered safe. In addition to tax returns, FBARs carry civil and criminal fines worse than tax evasion. Even simple tax crimes from failing to report income to making up deductions are nothing to mess with.

Even simple reporting problems can lead to [crippling mistakes that can cost big](#). If your affairs are complex, you and your tax adviser will have to make judgment calls. Our tax system is complex, and not everything is black or white. But *do not* makes things up. If you earned \$50,000, don't report \$5,000. For one thing, the law has elaborate Form W-2 and Form 1099 reporting rules to serve as checks and balances.

If you misstep, you may have problems even if you claim you were not willful. If your number comes up, the consequences can be devastating. Willfully evading federal income taxes is a felony. See [26 U.S.C. § 7203](#). You are willful if you intentionally violate a legal duty of which you are aware. Yet [what the IRS calls willful](#) can be tough to predict.

Even if you're ignorant, the IRS can say you are guilty of "willful blindness"—where you *intentionally* remain ignorant. Some people manage to avoid the taint of willfulness in tax matters based on a genuine misunderstanding of the tax law. The misunderstanding can even be *unreasonable* as long as it's genuine. But be careful. You don't want to be involved in such a query if you can possibly avoid it.

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