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THE TAX LAWYER

Tax Advisers Who Ran Shelters, Evaded Taxes, Could Face Prison

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The IRS and Justice Department are harsh on tax evaders. The authorities can be especially harsh on advisers who lead others down a path of tax evasion, or who otherwise appear to exploit the tax system. That is true with tax preparers, and with other tax professionals too. Of course, the authorities like to publicize their victories as examples to others, and those victories can include guilty pleas that avoid the time and expense of a trial. A good recent example was Harold Levine, a New York tax attorney, and Ronald Katz, a Florida certified public accountant. The two have [pled guilty](#) to tax crimes based on their roles in a corrupt multi-year tax evasion scheme.

It started with tax shelters, but ended up involving their failure to report millions of dollars in their own fee income to the IRS that the pair earned in the tax shelter deals. Like everyone else, tax lawyers and accountants are required to report their income to the IRS. However, Harold Levine and Ronald Katz instead engaged in a corrupt scheme to evade taxes on millions of dollars of income. According to the allegations in the Indictment to which Levine and Katz pleaded guilty, and statements made during the plea proceedings and other court proceedings:

Between 2004 and 2012, Levine, a tax attorney and former head of the tax department at a major Manhattan Law Firm, schemed with Katz, a certified public accountant, to obstruct and impede the due administration of the Internal Revenue laws by evading income taxes on millions of dollars of fee income generated from tax shelter and related transactions that Levine worked on while a partner of the law firm. Levine failed to report approximately \$3 million in income to the IRS on his personal tax returns during the period 2005-2011. For his involvement in this scheme, Katz received and failed to report to the IRS over \$1.2 million in income on his personal tax returns.

As part of the scheme, Levine caused tax shelter fees paid by a law firm client to be routed to a partnership entity he co-owned with Katz. Thereafter, he used those fees – totaling approximately \$500,000 – to purchase a home in Levittown, on Long Island. Levine caused the home to be purchased as a residence

for a law firm employee with whom he had a close personal relationship. Although Levine allowed the law firm employee to reside in the Levittown house for over five years without paying rent, Levine and Katz prepared tax returns for the entity through which the home was purchased that claimed false deductions as a rental property.

In or about 2013, Levine was questioned by IRS agents concerning his involvement in certain tax shelter transactions, and about the fees received by Levine and Katz from those transactions. During that questioning, Levine falsely represented that the law firm employee paid him \$1,000 per month in rent while living in the Levittown home. This is another lesson from the case: don't lie to the IRS. In addition, when the law firm employee was contacted by the IRS and summoned to appear for testimony, Levine urged the employee to falsely represent to the IRS that she had paid \$1,000 per month in rent to Levine.

Levine and Katz are scheduled to be sentenced by Judge Rakoff on October 11, 2017. Levine, 59, of New York, New York, and Katz, 59, of Boca Raton, Florida, each pled guilty to one count of corruptly endeavoring to obstruct and impede the due administration of the Internal Revenue laws, and one count of tax evasion. The obstruction charge carries a maximum sentence of three years in prison. The tax evasion count carries a maximum sentence of five years in prison.

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