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THE TAX LAWYER

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### Tax Fraud Draws 6 1/2 Year Prison Term Despite Alzheimer's

Margaret Mathes, a 67-year-old Massachusetts woman, has been [sentenced to 6 ½ years in prison](#) for tax crimes, and then another three years of supervised release. Her attorney asked for leniency because of her Alzheimer's disease, but that didn't seem to help. It may have even backfired. Ms. Mathes plead guilty over charges arising out of an eight-year tax fraud from a temporary employment agency that [hid more than \\$5 million in taxes](#) from the IRS.

Although the charges were serious, the sentence might have been lighter had her medical condition not become such an issue. The U.S. Attorney's Office claimed that Ms. Mathes and her daughter tried to mislead the judge about Ms. Mathes' medical condition. Her diagnosis of 'possible' Alzheimer's disease, along with her symptoms, were exaggerated, said reports. The judge didn't like that one bit.



As a result, the judge imposed an 'obstruction enhancement' on Ms. Mathes as well as on her 47-year-old daughter, Bosea Prum. The guilty pleas by Ms. Mathes and three family members included the crimes of conspiracy to defraud the IRS, mail fraud, and violating laws against structuring monetary transactions to avoid reporting requirements. The latter involve those \$10,000 cash reporting rules.

Ms. Mathes' daughter, Bosea Prum, pleaded guilty to 10 counts of filing false employment tax returns, six counts of mail fraud, and two counts of structuring monetary transaction. Another family member pleaded guilty to 17 counts of assisting the filing of false employment tax returns, six counts of mail fraud, and two counts of structuring monetary transactions. The third family member pleaded guilty to seven counts of filing false employment tax returns, six counts of mail fraud, and two counts of structuring monetary transactions.

It all started with the now defunct International Temp Agency in Lowell, Massachusetts, and later with another temp agency called JP Company, also in Lowell. They paid workers under the table, didn't keep records, and pocketed the money that was supposed to be withheld from wages and paid to the IRS. It was a tidy sum, too, including \$5.1 million in federal taxes and \$880,545 in workers' compensation insurance premiums.

Between 2004 and 2009, Ms. Mathes and her family reported a \$2.2 million employee payroll, but hid an additional \$25.8 million in wages. The three other sentences were all lighter than that handed down to Ms. Mathes. All four of them were ordered to pay more than \$6 million in back taxes and workers compensation premiums. Several of the defendants were also ordered to pay over \$500,000 in additional back taxes for amounts under-reported on their personal tax returns.

It is worth noting that prosecutors are especially tough on tax return preparers. Claiming excess deductions on your own return is a bad idea and can backfire. Helping others to claim bogus deductions is even worse. The criminal penalty structure reflects that dichotomy.

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. The IRS and Justice Department are particularly likely to crack down on tax preparers who are defrauding their clients and the government at the same time.

A recent example was a husband and wife team running a Texas tax preparation business. The [couple got 15 years in prison— each](#). There can be considerable fallout for all of the clients of a preparer who is prosecuted. Errors will usually have to be corrected and taxes may need to be paid by the individuals involved even if they were duped. You are responsible for the contents of your tax return, so go over it carefully and raise any questions you have with your preparer.

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