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# Wesley Snipes Loses $23.5 Million Tax Case, Offers IRS Tiny 4% Compromise

You have to hand it to Wesley Snipes for persistence. His various run-ins with the IRS haven't gone so well over the years, and he now has another tax case loss to count. His latest loss was in U.S. Tax Court, which sided with the IRS. It was part of his running feud over old IRS bills that are still valid but that Snipes says he cannot pay. He offered a fraction, about $842,000 to wipe out $23.5 million, but the IRS said no. Next, Snipes argued that the IRS abused its discretion. His most famous tax case, of course, was his criminal trial. In fact, he was one of the more high profile criminal tax defendants in recent memory, facing an all-out prosecution on multiple serious felony tax evasion counts.

In 2008, Snipes was convicted of three misdemeanor counts of failing to file tax returns. He got jail time, reporting to McKean Federal Correctional Institution on December 9, 2010. He finished at an adjacent minimum security Club Fed, and was released in April 2013. During 1999 through 2001, Snipes avoided $7 million in taxes by listening to an accountant and anti-tax advocate who claimed  you did not legally have to pay taxes. Eddie Ray Kahn and Douglas P. Rosile were convicted of tax fraud and conspiracy, and they both drew longer prison terms than Snipes. Snipes was making about $40 million from 1999 to 2004 that not paying taxes was hard to fathom.

Yet the big victory for Snipes was that he was acquitted of felony tax fraud and conspiracy charges. Although he didn't file false tax returns, even his misdemeanor convictions meant a sentence of 3 years. Snipes argued that his sentence was unreasonable, that he couldn't get a fair trial in Ocala, Florida because of his race, etc. Even the U.S. Supreme Court turned him down. Yet most of Mr. Snipes' fights with the IRS have been over civil tax collections. With defendants convicted in tax cases, there can be a spillover impact. The IRS wants to collect what it is owed in the criminal plea agreement or court order, and may send other bills too.

Snipes' was trying to resolve all his tax debts and move on, so he resorted to taking the IRS to court. The IRS made assessments in 2013, going back more than 10 years:

- 1999 - $177,263.99
- 2001 - $2,573,977.70
- 2002 - $1,497,644.97
- 2003 - $4,576,925.66
- 2004 - $5,625,612.45
- 2005 - $3,526,946.38
- 2006 - $5,777,543.18

Mr. Snipes requested a Collection Due Process Hearing (filing IRS Form 12153) seeking an offer-in-compromise or installment agreement. He was *trying* to work it out with the IRS. He even paid off the two amounts the IRS wanted for 1999 and 2002. In early 2014, Snipes made the IRS an offer of about $842,000, or 4% of the roughly $23.5 million tax debt. The IRS didn't think that was enough. The IRS tried to verify his income and assets, claiming that Snipes used a shell game of trusts and other entities. Snipes accused the IRS of making arbitrary determinations, and claimed the IRS was abusing its discretion in not cutting him a deal. The procedural bickering continued.

By 2016, the Tax Court had rejected motions by both Snipes and by the IRS, and sent the case back to IRS Appeals. Eventually, the IRS said it would take about $9.5 million to settle it. That wasn't a bad deal, but Snipes stuck with his original offer of $842,061. The IRS rejected it, and an IRS manager did too. Snipes went back to Tax Court arguing that the IRS abused its discretion. Amid more procedural wrangling, the Tax Court seemed to have an easy time upholding the IRS and rejecting Snipes' claims. The IRS simply didn't abuse its discretion, and that was that. One of the factors was cooperation. The IRS could not track down all the assets and determine who owned what, and Snipes was apparently not much help.

Snipes also tried arguing "economic hardship." But the court said no to that too. It can work if there is a long-term illness, medical condition, or disability making you incapable of earning a living, if it is "reasonably foreseeable that your financial resources will be exhausted providing for care and support during the course of the condition." Did Snipes fit that mold? Hardly. Another ground is if your monthly income is exhausted by providing for care of dependents without other means of support. Even with some assets, there can be economic hardship if you are unable to borrow against the equity in your assets, and if liquidating the assets would render you unable to meet basic living expenses.

Again, the court didn't think Snipes fit into any of these sympathetic situations. He didn't fit the bill. Speaking of bills, with interest continuing to run, Snipes may want to take his tax arguments back to the drawing board.

*This is not legal advice. For tax alerts or tax advice, email me at Wood@WoodLLP.com.*