Example Tax Fraud Cases

A Journey Partners Case Study

Subway Franchisee and Gas Station Owner sentenced for Multi-Million Dollar Conspiracy to Defraud the Internal Revenue Service

On July 8, 2016 in Washington, DC, Obayedul Hoque, of Arlington, Virginia, was sentenced to 30 months in prison, two years of supervised release and ordered to pay a $20,000 fine and $2,022,106 in restitution to the IRS for tax liabilities for the years 2008 through 2013. According to court documents, Hoque owned and operated Skyhill Shell, a gas station in Alexandria and multiple Subway restaurant franchises in Washington, D.C., and Arlington, Virginia, and Alexandria. Between 2008 and 2014, Hoque and his co-conspirators, who were managers of some of the Subway franchises and the gas station, conspired to defraud the United States for the purpose of obstructing the IRS in the ascertainment and collection of individual and corporate income taxes. For the period of 2008 through 2013, point of sales records for the Subway franchises reflected total sales of $20,805,667. However, Hoque and his co-conspirators provided false monthly sales figures to the accounting firm to prepare the Subway entities' tax returns. As a result, Hoque and his co-conspirators caused false corporate and partnership tax returns to be filed for the Subway franchises which reported sales of only $14,377,696. Hoque and his co-conspirators also caused false corporate tax returns to be filed on behalf of Skyhill Shell. For some years, some of the entities did not file tax returns with the IRS. Additionally, Hoque filed false individual income tax returns with the IRS. Hoque admitted that his conduct caused a tax loss to the IRS of between $1.5 million and $3.5 million.

California Resident Sentenced on Federal Tax Charges

On May 9, 2016, in Los Angeles, California, Donald M. Baxi, a Canadian citizen formerly residing in Ladera Ranch, was sentenced to 12 months and one day in prison and ordered to pay $56,319 in restitution. Baxi pleaded guilty in March to aiding and abetting in the preparation of a false income tax return. According to the plea agreement, Baxi was responsible for having the partnership income tax returns of Vintages Wine Bar, LLC (“VWB”), prepared and filed with the IRS. For each of the years 2003, 2004, and 2005, Baxi deliberately provided false and incomplete information to his tax return preparer so that VWB’s interest income would not be reported to the IRS. During these years however, VWB received interest income from two separate sources totaling $201,142. This unreported interest income caused a tax loss to the government of $56,319. Baxi fled the United States upon learning of his indictment and remained and fugitive for five years until he was arrested by German authorities and extradited back to the United States to face the charges contained in the indictment.

Former Vice President of Paint Company Sentenced for Evading Taxes

On May 2, 2016, in Greeneville, Tennessee, Charles J. Rutherford, of Johnson City, was sentenced to 18 months in prison and ordered to pay over $1.2 million in restitution to both the victim company and the IRS. Rutherford was convicted in January 2016 of filing false and fraudulent federal tax returns in an attempt to evade and defeat paying income tax. According to court documents, from 2006 through 2014, while serving as vice president of a paint company in Bristol, Rutherford embezzled approximately $1 million by paying his own personal expenses out of company accounts. Rutherford failed to report the embezzled money as income on his federal individual income tax returns for tax years 2008 through 2013. By filing false and fraudulent returns, he evaded paying well over $200,000 in federal taxes.

Florida Doctor Sentenced for Role in Income Tax Fraud Scheme

On April 27, 2015, in Miami, Florida, Dr. Krishna Tripuraneni, of Palm Beach County, Florida, was sentenced to 24 months in prison, one year of supervised release and ordered to pay a $50,000 fine. Tripuraneni previously pleaded guilty to one count of filing false tax returns. According to court documents, Tripuraneni, a physician licensed in the State of Florida, was the owner and operator of three businesses in Wellington, Florida. For the tax years 2004 to 2008, Tripuraneni received income in the form of direct compensation, distributions, and corporate funds and used these payments to cover personal expenditures. Tripuraneni utilized funds from the companies to pay for expenses on a new home, payments on condominiums, interior design improvements to his residences and tuition payments for his children. Some of these payments were fraudulently classified as professional consulting, building repairs, and miscellaneous expenses by his companies and used as profit and loss statements on his corporate and personal income tax returns. Tripuraneni caused the preparation and filing of a false 2006 U.S. Income Tax Return for an S Corporation; a U.S. Return of Partnership Income, and a U.S. Individual Income Tax Return. In total, Tripuraneni underreported his income for tax years 2004-2008 by $18,128,066 for a total of $6,383,977 in outstanding taxes

Texas Corporation Owner/CEO Sentenced for Tax Fraud

On Jan. 13, 2015, in Houston, Texas, Robert Earl Carter, of Fresno, Texas, and the former owner/CEO of Enterprise Advisory Services Inc. (EASI), was sentenced to 36 months in prison, one year of supervised release and ordered to pay a $75,000 fine. Carter pleaded guilty Sept. 9, 2014 to making false statements in a federal income tax return. At the hearing, evidence was also presented regarding a half-million-dollar African art donation to Texas Southern University that Carter reported in his 2005 federal income tax return, but never donated. Carter also claimed the art, via carryover charitable donation deductions, in his 2007 to 2010 tax returns. At the time of his plea, Carter admitted he willfully made a materially false statement in his 2009 personal federal income tax return by reporting a total income of $276,270, but failing to disclose an additional $309,821 in bonus income he received that year. Carter had those bonus monies converted into a check payable directly to another company controlled by a family member. Approximately one month later, $286,821 was returned directly to Carter via a cashier's check. EASI issued Carter another bonus check for $195,000 on Dec. 22, 2009, which he deposited into his personal savings account. EASI reported this $195,000 payment as executive variable pay. Carter did not, as required, report this $195,000 personal income on his 2009 individual federal income tax return. In total, Carter willfully and intentionally failed to report personal income totaling $504,821 on his 2009 tax return.

Owner of California Lumber Company Sentenced to 15 Months in Prison

On April 25, 2006, in San Francisco, CA, Lee Nobmann, the CEO and owner of Golden State Lumber (GSL), was sentenced to 15 months in prison, fined $40,000 and ordered to pay $330,000 in restitution. Nobmann pleaded guilty on Dec. 8, 2005, admitting that he had his company pay for his personal expenses and deduct the funds as the company' s business expenses from 1996 to 2000. Nobmann also acknowledged that he received rebate checks from vendors and deposited them into his personal bank account and did not report the payments as income for the company or as income on his personal income tax returns. As a result, his company underreported its income by approximately $1.1 million and he did not report the income on his personal income tax returns. Nobmann illegally avoided paying approximately $330,000 in taxes. The illegal activity came to light when he fired the CFO of GSL. Shortly after his termination, the CFO called the IRS to report Nobmann for tax evasion.

Other Examples

An Ohio business man was sentenced to six months in prison, six months of home detention, and two years supervised release for attempting to evade nearly $170,000 in income taxes. He received income in the form of wages, non-salary payments, and corporate payments for his personal expenses. The personal expenses included: property tax and utility payments for his personal residence, as well as payments for a new furnace, air conditioner, air cleaner and humidifier; a down payment and loan payments for his daughter's car; payments of his wife's automobile insurance and car repair bills, college tuition payments for his nephew, as well as other personal expense payments.

The sole proprietor of a plumbing shop was sentenced to 13 months in prison, three years of supervised release for tax evasion and ordered to pay approximately $130,000 in restitution to the IRS. The business owner willfully attempted to evade paying his federal income taxes by skimming gross receipts of his plumbing business and paying personal expenses from his business accounts and claiming them as business expenses.

As part of his tax evasion scheme, he instructed several of his employees to solicit checks from clients payable in his name, rather than in the name of the business. He then cashed these checks and did not deposit the monies into his business' bank account. Since this money was not recorded on the books of the business, nor deposited into the business' account, he did not include these gross receipts on his income tax return. He also deducted personal expenses as business expenses and similarly lowered the figures on his Schedule C profit, thereby substantially reducing his tax for tax years 2003 through 2006.

The owner of several Illinois tobacco stores was sentenced to 76 months in prison and was ordered to pay $4.8 million in restitution to the State of Illinois and $650,452 to the United States after he pled guilty to deliberately hiding and failing to report cash receipts from business. He had deposited less than one percent of $60 million in cash receipts into his corporate bank accounts and declared little, if any, of those cash receipts on his corporate tax returns.

In addition he either filed false federal income tax returns or failed to file federal income tax returns for the years at issue. He also filed false Illinois sales tax returns. He used the unreported income to fund a lavish lifestyle in Lebanon, where he spent considerable time and built a luxurious home, purchased a farm worth hundreds of thousands of dollars, and became a successful owner of a soccer club.