

---

---

MEMORANDUM

---

---

**RE:**     **UNREPORTED INCOME (IRS):** CRIMINAL PENALTIES: TAX  
          PREPARERS

**DATE:**  NOVEMBER 19, 2007

---

**Clients, with unreported income, may subject tax preparers to criminal penalties, fines, costs of prosecution and up to 10 years imprisonment (2 felonies, 2 misdemeanors):**

1. Any person who willfully attempts in any manner to evade or defeat any tax or payment of any tax imposed by the Code is guilty of a **felony**.

**A person convicted of tax evasion may be fined up to \$100,000 (\$500,000 for a corporation) or imprisoned not more than five years or both, together with the costs of prosecution.** This penalty is in addition to any other penalties provided by law. (IRS § 7201.)

2. Any person required by the Code or regulations to file a return, keep any records or supply any information who willfully fails to file the return, keep the records or supply the information is guilty of a **misdemeanor**.

**A person convicted of this offense may be fined up to \$25,000 (\$100,000 for a corporation) or imprisoned not more than one year or both, together with the costs of prosecution.** This penalty is in addition to any other penalties provided by law. (IRC § 7203.)

3. Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation of a return, affidavit, claim, or other document under the tax laws that is fraudulent or false as to any material matter is guilty of a **felony**. This provision

applies regardless of whether or not the taxpayer knows or consents to the falsity or fraud.

**A person convicted of this offense may be fined up to \$100,000 (\$500,000 for a corporation) or imprisoned not more than three years or both, together with the costs of prosecution. (IRC § 7206.)**

4. Any person who fails to comply with a summons issued under the Code that calls for testimony or for the production of books or documents and neglects to appear or to produce the books or documents has committed a crime.

**A person convicted of this offense may be fined not more than \$1,000 or imprisoned not more than one year or both, together with costs of prosecution. (IRC § 7210.)**

Gary S. Wolfe  
A PROFESSIONAL LAW CORPORATION  
9100 Wilshire Blvd., Suite 530 East  
Beverly Hills, CA, 90212  
Tel: 310-274-8847 Fax: 310-274-3118  
<http://www.gswlaw.com>  
email: gsw@gswlaw.com