
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.)

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