

---

---

**MEMORANDUM**

---

---

**RE:**     **UNREPORTED INCOME (IRS):** TAX PREPARER (CPA) CIVIL &  
          CRIMINAL PENALTIES (SUMMARY)

**DATE:**  NOVEMBER 21, 2007

---

**Taxpayers who have unreported income, may subject their tax preparer (CPA) to up to 9 years imprisonment, with the following penalties:**

**Tax Preparer Penalties**

- 1. Penalty for causing an understatement of tax on a return (IRC § 6694), either:** greater of (\$1,000/or 50% of Income Derived), or if willful: (\$5,000/50% of Income Derived)
- 2. Penalty for aiding and abetting an understatement of tax (IRC § 6701) either:** \$1,000 per violation (individual taxpayer), \$10,000 per violation (corporate taxpayer)
- 3. Tax Preparer/Criminal Penalties**

- a. Felony Tax Evasion (IRC § 7201)** (i.e., assist Taxpayer in evading tax)

**Fines:**     \$100,000 (per person)/ \$300,000 (per corporation). **Up to 5 years imprisonment (or both) plus: costs of prosecution**

**Misdemeanor Additional Tax Evasion (IRC § 7203)**

Failure to file Taxpayer's tax returns, keep records, supply information

**Fines:**     \$25,000 per person/ \$100,000 per corporation.  
**Up to 1 year imprisonment (or both) plus: costs of prosecution (This penalty is in addition to other penalties)**

**b. Willfully aiding the preparation of a false tax return  
(IRC § 7206)**

**Felony: Fines:** \$100,000 per person, \$500,000 per corporation. **Up to 3 years imprisonment (or both) and costs of prosecution.**

**Misdemeanor: (Additional) IRC §7210:** Failure to comply with Summons for testimony or produce books and records. **Fine:** \$1,000. **Up to 1 year imprisonment.**

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