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10 Notorious Tax Cheats: Queen Of Mean Leona Helmsley Proved Little People Can Put You In Jail

Leona Helmsely died in 2007 at age 87, and some people may not know of her past prominence. In her heyday, she was as big as Donald Trump or Kim Kardashian. And she was colorful too. A billionaire, she was convicted of tax fraud that started with small and obvious acts of evasion. She had a harsh persona too, earning her the nickname the “Queen of Mean.”

During her tax evasion trial, a former employee testified that Helmsley said: “We don’t pay taxes. Only the little people pay taxes.” By “we”, she meant not only herself but her husband, New York tycoon Harry Helmsley. ‘Only little people pay taxes’ became America’s version of ‘let them eat cake.’

Leona married Harry Helmsley in 1972. It was her fourth marriage, and Harry left his wife of nearly 30 years to marry Leona. Harry Helmsley was already very rich, and the two became richer still, with a vast portfolio of real estate and other assets. Leona was lavish in some ways, miserly in others. She chiseled on her taxes, once making a sales clerk rewrite a bill for earrings to save \$4 in sales tax.



Hotelier Leona Helmsley is surrounded by her attorneys Jeffrey Taub, left, and Steven Eckhaus, right, outside State Supreme Court, in this file photo of Tuesday, Jan. 28, 2003, in New York. Helmsley, who was reviled as the "queen of mean," and went to prison as a tax cheat, died in Greenwich, Ct., on Aug. 20, 2007. (AP Photo/Louis Lanzano, File)

In 1983, the Helmsleys bought a home Greenwich, Connecticut. The price tag? \$11 million, with another \$8 million spent in renovations. Mrs. Helmsley was reportedly frustrated by the pace and quality of the renovations, and she balked at paying the bills, including a number of contractors. That commenced a chain of events that would undo her.

The contractors filed lawsuits against the Helmsleys alleging improprieties. They claimed that work to the Helmsleys' personal home was being charged to other properties as a business expense, designed so the Helmsleys could lower their tax bills. The lawsuits caught the eye of the IRS, and there was evidently a good deal of these sorts of tax shenanigans.

[10 Notorious Tax Cheats](#)

Some people search high and low for tax deductions, and while it's true there are some [strange but legit deductions](#), everyone should be careful. No one wants to be challenged, which argues for keeping to the straight and narrow. You can't deduct everything, though some reality TV stars and self-made moguls seem to try. Yet [from Jersey Shore to Real Housewives to real estate gurus, deducting everything can be tax evasion](#).

Trying to morph personal matters into business ones is asking for trouble. I'm thinking of people who:

- Try to deduct the cost of their [divorce](#) because their business is at risk.
- Try to deduct a miserable vacation with their best client.
- Claim their [hobby activity](#) was really engaged in for profit, writing off expenses against other income.

Of course, most such cases might just be aggressive tax planning and not rise to the level of criminal conduct. But the line is sometimes not obvious. A physician named Timothy Dale Jackson was [found guilty of four counts of felony tax evasion](#) and one of obstruction of due administration of the internal revenue laws. The 50-year-old orthopedic physician funneled his practice income through the "Church of Compassionate Service," a church the feds call a scam.

The Helmsleys' tale was a classic one of systematically shorting the tax man and falsely manipulating their finances and dealings with third parties. After a lengthy investigation, in 1988, the Helmsleys were indicted on 188 counts of tax fraud. Leona also faced federal charges of extortion and mail fraud. By the time the case went to court, Harry's health had deteriorated considerably. Nearing age 80 at that time, Harry was deemed incompetent to stand trial.

Leona, however, went on to trial, and was eventually convicted of evading \$1.2 million in federal taxes. She was convicted of 33 felony counts of fraud, including mail fraud, tax evasion and filing false tax returns. Initially, she was sentenced to 16 years in prison and fines of \$7 million. On appeal, her sentence was reduced to four years in prison.

She actually served only 21 months. She was released from prison in 1994 and was sentenced to community service. It later appeared that some of Mrs. Helmsley's employees performed the community service on her behalf.

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