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THE TAX LAWYER

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#1 Tax Lady Found Guilty Of 27 Tax Felonies, Could Face 131 Years

Ms. Fontrice Lenee Charles, also known as the #1 Tax Lady business she operated, was convicted of 25 counts of filing false tax returns for clients. The jury also found her guilty of two more counts: filing false tax returns for herself. The press [release](#) from the U.S. Attorney's Office in Michigan confirms the details and the extraordinary jail time she could face when she is sentenced.

Prosecutors claimed that Ms. Charles lied on tax documents to get her clients larger refunds. The Justice Department statement noted her involvement in 967 bad tax returns filed for clients between 2011 and 2014. They led to improper tax refunds of approximately \$4 million. Each of the first 25 counts is punishable by up to five years in prison. The final two counts regarding Ms. Charles' own taxes are each punishable by up to three years in prison.



It is a good example of the harsh stance the law takes on tax return preparation businesses. The IRS has long tried to regulate them, something that has become a controversial subject in recent years. When the #1 Tax

Lady was arraigned [on 27 counts of tax fraud](#), it was her role in filing false returns for others that was the focus. The feds claimed that Ms. Charles filed numerous bogus tax return while operating as #1 Tax Lady.

The charges for not reporting the income she was earning in her tax business were not as serious. Neither was the charge that she was illegally claiming a dead person as a dependent. The feds are especially tough on return preparers. Claiming excess deductions on your *own* return is a bad idea and can backfire. Helping *others* to claim bogus deductions is even worse. The criminal penalty structure reflects that dichotomy.

Everyone must sign under penalties of perjury, so don't [lie on your tax return](#). You may never be audited, but what if you are? You should be prepared to defend your return and to provide substantiation for each item if you are asked. And report accurately, whether or not you believe the IRS has received reporting forms. You may not have received a Form 1099 from someone who paid you. But perhaps they sent it in to the IRS and your copy was [lost in the mail](#).

The vast majority of tax audits are civil and have little risk of criminal liability. However, a majority of criminal tax cases start with a civil audit. The IRS and Justice Department are particularly likely to crack down on tax preparers who are defrauding their clients and the government at the same time. A case in point was a husband and wife team running a Texas tax preparation business. In fact, the [couple got 15 years in prison – each](#).

There can be considerable fallout for all of the clients of a preparer who is prosecuted. Errors will usually have to be corrected and taxes may need to be paid by the individuals involved even if they were duped. You are responsible for the contents of your tax return, so go over it carefully and raise any questions you have with your preparer.

Finally, even if you aren't happy with your taxes, please, don't take it out on your tax preparer! It's one thing to wring your hands over your taxes, or perhaps even to curse a bit. But don't [choke your tax preparer](#).

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not intended as legal advice.