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Actress Emma Thompson Refuses To Pay Taxes Over HSBC Scandal

The right to protest may be fundamental, but tax protests seem to be treated differently than many others. Despite free speech protections, some arguments about taxes can be viewed as almost incendiary, a little like yelling 'fire' in a crowded theater. Even the Canadian government has cracked down on tax protesters.

Not long ago, about 80 tax investigators and others in law enforcement served warrants as part of an investigation of suspected tax protesters. Canadian Revenuers have been on the lookout for illegal tax schemes and those who promote them. So is the IRS, and the Brits may be at it too. But the big tax story in the U.K. is over HSBC.

[Emma Thompson](#) and her actor husband [Greg Wise](#) vow to stop paying taxes until the British government launches a crackdown on schemes that help the wealthy shield their riches. The pair want the culprits in the [HSBC tax evasion scandal](#) to go to prison, says Mr. Wise.



Emma Thompson and Greg Wise

The couple hope to launch a protest movement over allegations that HSBC helped clients avoid their hefty tax bills in Britain. The HSBC story won't end and has become a political football. But Ms. Thompson and Mr. Wise hope a [mass tax boycott](#) will make the U.K. version of the IRS penalize Britain's upper crust tax cheats.

It sounds like a reverse Tea Party, with demands that tax cheats pay and go to jail. Yet ironically, jail could be in store for protesters too, which the couple appear to recognize. Yet others in Britain note that failing to pay taxes isn't the answer to get someone *else* to pay taxes. As a director of the TaxPayers' Alliance said, more tax evasion isn't much of a solution to tax evasion.

In the U.S., a tax protester usually means someone who denies the authority of the IRS. In [1998](#), Congress prohibited the IRS from labeling people as "illegal tax protesters." Congress even ordered the IRS to purge the "protester" code from the computer files of 57,000 Americans. However, a report issued by the Treasury's watchdog [Treasury Inspector General for Tax Administration](#) says IRS employees still use the epithet.

The term turns up in their case narratives, despite [legal guidelines prohibiting the use of illegal tax protester designations](#). The report said that the continued use of "Illegal Tax Protester" and similar labels stigmatizes taxpayers and causes IRS employees to be biased against them. The report found 38 cases where 34 employees called taxpayers "[Tax Protester](#)," "Constitutionally Challenged," or something similar.

Whatever you call them, though, anyone who makes frivolous tax arguments can be singled out for extra penalties in the U.S. In general, if the IRS finds your argument or tax position is "frivolous," it means a 20% accuracy-related penalty (under [Section 6662](#)); perhaps even a whopping 75% civil fraud penalty ([Section 6663](#)). A frivolous position on an amended return asking for money back can trigger a 20% penalty for an erroneous claim for refund ([Section 6676](#)).

If you file your return late with frivolous positions, the usual penalties (for fraudulent failure to timely file an income tax return) can be tripled up to another whopping 75% ([Section 6651\(f\)](#)). Moreover, apart from tax returns, frivolous other tax forms can trigger penalties too. There's a \$5,000 penalty for frivolous tax returns ([Section 6702](#)) and you can be separately penalized even for sending seemingly innocuous tax forms.

How does a normal taxpayer know what's frivolous? The IRS publishes its [own list of frivolous positions](#). Still, a surprising number of people make these arguments. For example, [Scott Grunsted](#) claimed his wages weren't taxable. His argument: the federal government can only tax income that is federally connected and not from the private sector. Nope, he lost.

In [Worsham v. Commissioner](#), a [lawyer](#) filed a tax return every year from 1989 through 2004. Then, he concluded that he wasn't required to file returns or pay taxes. As a result, he didn't. The IRS said he was just a protester making frivolous and groundless arguments.

Maybe, said the court, but since it was his first batch of flaky arguments, the court just warned him. He did have to pay taxes, penalties and interest, but not the big penalties reserved for people formerly known as protesters. Not all cases of this sort end this happily.

U.S. tax laws are famously complex, more so than in any other country in the world. It can be surprisingly difficult to separate legitimate arguments from ones that belong on the cutting room floor. And since many people do not have the technical expertise to know the difference, there's a premium put on professional advice.

So whatever your position, and whoever you have relied upon, consider getting a disinterested second opinion. Many civil and criminal tax cases start with taxpayers blindly following their advisers. So, be careful what advice you take to heart.

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