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THE TAX LAWYER

TAXES 2/25/2015

Americans Get 'F' For Tax Knowledge. Get-Out-Of-Jail-Free Card For Tax Evasion?

If you aren't completely tax savvy, you can't commit tax evasion, right? Not so fast. Sure, tax law is complex, and U.S. tax law is the most comprehensive, exception ridden, obtuse, and convoluted tax system in the world. Maybe in the whole universe. With all this complexity, is it any wonder that a new study finds that [Americans get an 'F' in understanding taxes?](#)

It shouldn't be a surprise that the report says the average U.S. adult [scores badly](#). It isn't enough to collect all those annoying [Forms 1099](#), W-2 and K-1. Sometimes, the forms dribble in reporting income even after you've filed your return. There may be [some surprises](#) too, where you *think* you were paid \$1,000, but the 1099 says \$100,000! Even simple reporting problems can lead to [crippling mistakes that cost big](#).



But the more complex your affairs, the more you and your tax adviser must make judgment calls, and some mistakes are inevitable. So if when you misstep, are you better off being honest and ignorant, or more clever and conniving? Willfully evading federal income taxes is a felony. See [26 U.S.C. § 7203](#). 'Willful' means voluntary or with intent, intentionally violating a legal duty of which you're aware.

Yet [what IRS calls "willful"](#) can be tough to predict. Even if you're ignorant, the IRS can say you are guilty of willful blindness—where you *intentionally* remain ignorant! It can seem like you can't win. Even so, some people manage to avoid the taint of willfulness in tax matters based on their genuine misunderstanding of the tax law. In fact, the misunderstanding can even be *unreasonable* if it is genuine. See [Cheek v. United States](#).

Another way of not being willful: having a good-faith (even though unreasonable) belief that no tax was due. Gee, I thought I didn't owe *anything*. But often, the "I didn't know any better" argument just doesn't work. After all, the IRS wants you to report *everything* correctly, and that means [everything](#). It is one reason that seemingly innocuous slips of paper like Forms 1099 are so important. Everyone is matched to your Social Security number. Surprisingly, though, if you are [missing a Form 1099](#), you shouldn't ask for it.

Of course, taxes are complex, and this year especially so. There are additional [Obamacare filings to cause some backlash](#). But no matter how frustrated you may be about taxes, the last conversation you want to have with the IRS is about fraud or evasion. If you find yourself in that situation, you'd [Better Call Saul](#).

Take Eduardo C. Partida of South Gate, California, who worked at Ikon Office Solutions. He [pleaded guilty](#) to making a false statement on his 2009 tax return that shortchanged the IRS a whopping \$2,235. He worked in the mail room where he misappropriated and sold toner cartridges.

Mr. Partida admitted unreported income of \$240,990 between 2005 and 2009. The total tax loss to the government was \$49,000. Yet the count he plead guilty to was for 2009, an unreported \$14,600, with a tax loss to the IRS of \$2,235.

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