



## Robert W. Wood

THE TAX LAWYER

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### Atkins Doctor Tax Evasion Conviction Upheld (How Not To Deal With IRS)

Dr. Mary C. Vernon, 62, of Lawrence, Kansas, was [convicted on five counts of tax evasion](#), and her conviction has just been [upheld](#). She specialized in treating obesity. She co-authored a book based on the ideas promoted by the late Dr. Robert Atkins titled, "Atkins Diabetes Revolution."

She worked in hospitals and nursing homes. And some of her income came via Atkins Nutritionals, Inc., a company that sold weight loss programs and products. She had quite a series of difficulties with the IRS over the years, involving constant liens and levies. From 1999 to 2007, the IRS attempted to collect taxes, interest and penalties that Dr. Vernon failed to pay from 1991 through 2005. The IRS collected approximately \$2 million in taxes, interest and penalties through levies and seizures.



Dr. Mary C. Vernon (Image Credit: YouTube)

Eventually, she hired an attorney to create a corporation called Rockledge Medical Services. Prosecutors presented evidence in her trial that Rockledge Medical Services was a sham corporation that Dr. Vernon used to avoid paying taxes. She evaded paying incomes taxes for 2004, 2005, 2006, 2007 and 2008.

Even when the IRS was trying to collect from Dr. Vernon, she was creative. For example, the IRS had a lien on her residence and was moving to realize on the asset. So Dr. Vernon arranged for her domestic partner, Sara Wentz, to purchase the residence. The proceeds from the sale went to the IRS, but it was not enough to satisfy Dr. Vernon's tax liability. And the government later would complain the deal was not entirely on the up and up.

Dr. Vernon's domestic partner would figure in the company too. When Dr. Vernon set up Rockledge Medical Services, she wanted to continue her work as a consultant. And it was no coincidence that the domestic partner, Sara Wentz, was the company's sole shareholder. The money benefited Ms. Wentz. As for Dr. Vernon, she claimed to work as a volunteer. She received no income for her work.

Prosecutors claimed that the company was a sham, with Dr. Vernon and Ms. Wentz disregarding corporate formalities. With all the irregularities over the years, it should be no surprise that the IRS began investigating Dr. Vernon criminally. That investigation ultimately led to her indictment for tax evasion. When she was convicted, Dr. Vernon was sentenced to a total term of imprisonment of 41 months. That will be followed by a three-year term of supervised release. She was also ordered to pay \$311,157 in restitution to the IRS. Dr. Vernon appealed her convictions and sentences.

However, the [Tenth Circuit affirmed](#). The appeals court rejected Dr. Vernon's claim that the trial judge had miscalculated her sentence, based on a tax loss of \$988,000 from 1991 to 2002. The trial court gave Dr. Vernon additional prison time because she had created the sham corporation to evade income taxes.

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