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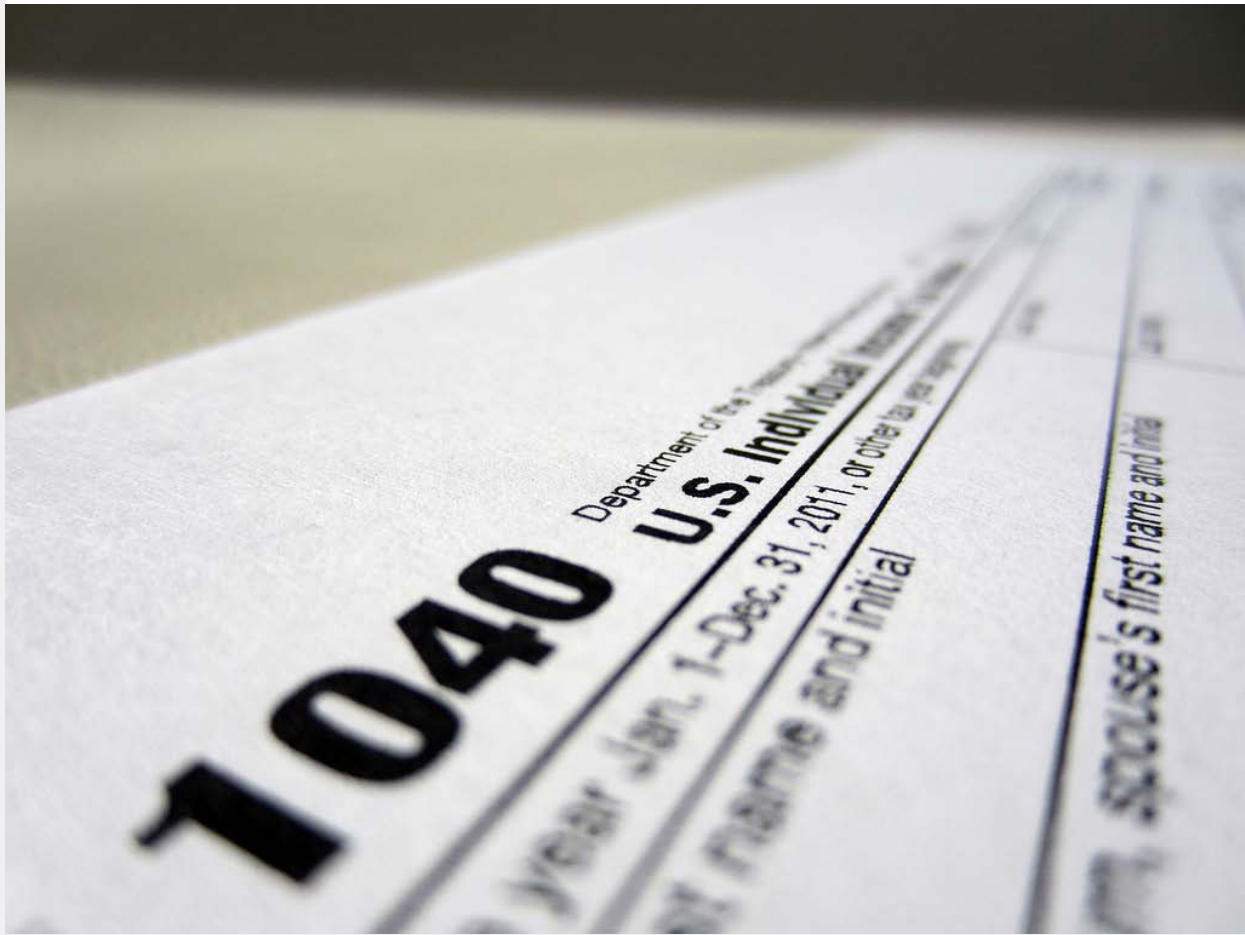
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Careful, You File Taxes Under Penalties Of Perjury, They're Not An Opening Offer

The IRS and Justice Department usually are clever about timing indictments, arrests and convictions for tax crimes during tax season. They hope to put some fear into the millions hovering over their tax forms and computers. The stories make some who are about to file think a little harder. And criminal enforcement of the tax laws is way up.

Sure, some of the uptick in enforcement is about offshore accounts. Plainly, the IRS and DOJ have made an unprecedented push into all things beyond U.S. borders. These days no account anywhere can be considered safe. And that doesn't just mean tax returns.

For many, the larger liability is over FBAR forms. They are separate from tax returns and carry civil and criminal fines far worse than for those for tax evasion. FBAR failures can bring up to ten years in prison and fines totaling more than the entire account balance. Of course, some of the steep rise in criminal tax enforcement is about identity theft, too.



(Photo credit: 401(K) 2013)

Still, tax crimes are nothing to mess with. The ‘penalties of perjury, not an opening offer’ quip came from famed tax journalist Lee Sheppard. It’s good to remember, since popular culture can suggest that on tax returns, anything goes. It doesn’t.

Sure, some businesses get aggressive with entertainment expenses. What’s a legit advertising or public relations expense is often debatable. And for individuals, what’s a legit medical expense might be debated too. Some people succeed in writing off the cost of their swimming pool. They need it for their medical condition, says their doctor’s note.

In [*Cherry v. Commissioner*](#), the taxpayer had emphysema and installed a swimming pool after his doctor ordered an exercise regimen. He swam twice a day and improved his breathing capacity. The Tax Court allowed him to deduct the cost of the pool (to the extent the cost exceeded the amount it added to the value of the property) as a medical expense. The primary purpose of the pool was medical care, so even the cost of heating, chemicals and part of insuring the pool area were deductible.

Medical expenses can come in all shapes and sizes, as the swimming pool cases make clear. Most people know that cosmetic surgery costs are usually non-deductible. However, an exotic dancer whose stage name was “[Chesty Love](#)” tested this rule. See [IRS Approved: 8 Crazy Tax Deductions](#).

Business expenses can be strange. An [Oakland California Cat Lady](#) got national press for a tax [decision](#) upholding claiming vet bills and cat food as charitable contributions. She later faced animal cruelty charges. See [Cat Lady Beat IRS, Now Faces Feline Felony](#). But hers isn’t the only successful cat case.

In [Seawright v. Commissioner](#), a married couple owned a junkyard. They put out cat food to attract wild cats. Why? The feral cats they were trying to attract dealt with snakes and rats on the property. That made for a safer junkyard for customers, and that made cat food a business expense.

[Corey L. Wheir](#), a professional bodybuilder, went through a lot of body oil to make his muscles glisten in the lights during competitions. He successfully deducted the oil on his taxes. Still, don’t be too emboldened by these victories. Sure, some off-beat deductions manage to stay afloat, but for every tax case you find involving a taxpayer win, you’ll find more losers. Be careful out there.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.