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Even Pimps Have Deductible Expenses

If you are running a prostitution ring, it is unlikely that your biggest concern is being prosecuted for tax evasion. Tax crimes may seem awfully tame by comparison to just about any other criminal activity, especially the truly rough stuff. Yet tax crimes can sometimes be pivotal in bringing tough-to-catch criminals to justice. After all, [Al Capone](#) was never convicted of murder, graft or racketeering. The feds got him for the comparatively milquetoast crime of income tax evasion.



As Al Capone learned the hard way, the tax laws apply to you no matter how you make your living. This was on my mind as I read [United States v. Hoskins](#), a case involving the so-called oldest profession in the world. Mr. and Mrs. Hoskins ran a business called Companions, a Salt Lake City Escort service that produced significant income. For a time, they were successful.

Although the Hoskins filed tax returns, they left out a few zeros, failing to account for over \$1 million in income. That brought the feds and eventually led to [criminal charges](#). Mr. Hoskins plead [guilty](#) to the crime of tax evasion. Mrs. Hoskins claimed she was innocent but she too was convicted.

When it came time for sentencing, the amount of taxes they had failed to pay became important. The precise extent of the tax evasion would have

a direct impact on the length of the prison sentence. As a result, they tried to minimize the amount of money involved.

Hey, aren't amounts paid to prostitutes deductible? Cleverly, the Hoskins claimed that even if they had failed to report a whopping \$1 million in cash, they could claim deductions for all the business expenses they would have been entitled to claim if they had properly reported the income. It was too late for them to submit amended tax returns to actually claim the deductions from the \$1 million in gross receipts.

Nevertheless, they argued that the returns could be considered on a hypothetical basis. Plainly, they said, even if they had failed to report \$1 million in receipts, that didn't mean the entire \$1 million was taxable income. That argument had a surface appeal, since gross income and net income are usually two different things.

Besides, it was clear the Hoskins did have to pay a share—money they called “commissions”—to the working girls that produced the revenue. Didn't that mean the commissions paid were deductible?

Unfortunately for the Hoskins, the court said it appeared that the Hoskins had claimed 100% of their commission deductions already, even though they reported less than half the gross receipts from the business! For that reason among others, the court said it was unwilling to attribute these hypothetical deductions to the large income the Hoskins failed to report.

For more, see:

[Former Utah Escort Service Found Guilty of Tax Evasion](#)

[To Avoid Fate Of Wesley Snipes Skip Tax Protester Arguments](#)

[Ten Tax Protester Claims to Avoid](#)

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