



Robert W. Wood

THE TAX LAWYER

TAXES 4/05/2016

'Frownies' Anti-Age Cream Owner Indicted For False Tax Returns, Obstructing IRS

Wrinkles may be no joking matter, even if you market and sell a product to stop wrinkles called '[Frownies](#).' The IRS is no joking matter either, especially not when it comes to anything even allegedly criminal. This time of year—just as you hunker down over your tax forms—the IRS and Justice Department like to remind you that tax returns must be signed under penalties of perjury. Yes, perjury.

A federal grand jury has [indicted James L. Wright](#) of Germantown, Ohio. He controlled the financial and business operations of B&P Company Inc., a fourth-generation family business that has manufactured and sold skincare products since approximately 1889. One of the company mainstays is a range of wrinkle reduction products called Frownies. The charges include one count of corruptly endeavoring to impair and impede the IRS, two counts of aiding and assisting in the preparation of false income tax returns, and five counts of filing false income tax returns.



These are only allegations, of course, but they are serious ones. [The indictment](#) claims that Mr. Wright used a series of entities he established and controlled to divert money from B&P Company to his personal use and the use of his family. The indictment also alleges that Mr. Wright was behind the preparation and filing of false tax returns with the IRS for B&P Company for the years 2008 and 2009.

Prosecutors claim that those returns claimed tax deductions for payments Wright made from the company for his mother's apartment rent and utilities. A similar allegation covers the apartment rent of one of his daughters. Mixing personal and business—and claiming that something that is clearly personal was somehow business—is a prime example of a tax case that can go from civil to criminal.

Mr. Wright is also alleged to have filed false tax returns for another entity, The Remnant Inc. In that instance too, prosecutors say that he claimed deductions for personal expenses. These allegedly included expenses related to his personal residence, rent for an apartment for one of his daughters, and automobile expenses. The indictment charges Mr. Wright with filing false personal income tax returns for 2008, 2009 and 2010 on which he under-reported his income.

Among the entities that Wright allegedly used to obstruct the IRS was Fore Fathers Foundation, a private foundation Mr. Wright established in 2003. Wright is alleged to have used Fore Fathers Foundation, which was funded with donations from B&P Company and another entity Wright controlled, to pay his children's private high school and college tuition. Wright filed income tax returns in the name of the foundation for the years 2008 and 2009 that failed to disclose that the foundation made payments for his children's educational expenses.

Wright is also alleged to have submitted documents to the educational institutions on which he concealed his involvement with Fore Fathers Foundation. Wright was arrested on March 30. If convicted, Wright faces a statutory maximum sentence of three years in prison and a \$250,000 fine on each count of the indictment.

If you are searching for tax deductions, remember to keep business and personal affairs separate. Trying to morph personal into business can be asking for trouble. For example, don't try to deduct the cost of your [divorce](#) because your business is at risk. It is still personal. Of course, the tax code doesn't entirely rule out double duty. There are many provisions

in the tax law that recognize dual purposes.

Still, try to avoid such dual-purpose goals, and do your best to categorize things appropriately. Surprisingly, a majority of criminal tax cases start with a regular civil audit. If the IRS auditor thinks something is really amiss, he or she can refer the case the IRS Criminal Investigation Division. It can put you in a world of hurt. Anti-aging cream or not, you may age quite a lot as you go through it.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.