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IRS Fugitive For 14 Years Gets 6 More Years In Prison

You might think the IRS could come after you for 3 years, or maybe even 6 if you *really* misstep. But there are different ways the IRS and Justice Department can pursue tax evaders, and sometimes their memory is quite long. Take the curious case of Palle Bognaes a.k.a. Pono, now age 74, who was recently [recaptured](#) in Phoenix by the U.S. Marshals Service. A former lawyer, he had been on the run since being [sentenced to more than six years in prison on tax charges in 2002](#).

Pono, or Bognaes, was convicted in 2001 in a two-week jury trial in Reno for conspiracy to defraud the United States, obstructing the administration of the internal revenue laws, tax evasion, and failure to file income tax returns. He was sentenced on Jan. 28, 2002 to 80 months in prison. But he failed to report to prison in March 2002 to start his sentence. In fact, he disappeared and remained a fugitive for 14 years until he was caught in Phoenix on April 2.



Palle Pono Bognaes

The feds may have had special reasons for pursuing this fugitive, since his was crime that influenced many others, leading them down a path of scamming the tax system. He may have been seen as a kind of ringleader of tax protesters. The evidence at trial demonstrated that Bognaes created Unincorporated Business Organizations (UBOs) for his clients. Bognaes then instructed his clients to transfer title of their assets into the UBOs and told them that they did not have to pay personal income taxes on those assets.

Thus, the tax losses he triggered multiplied for every client he signed up. Of course, he wasn't doing this for free. In fact, Bognaes collected significant fees for his services. Bognaes referred to these UBOs by various names, including Massachusetts Trust, Common Law Trust and Pure Trust Organizations. Bognaes also assisted co-defendant Jose Gastanaga of Reno, in setting up a UBO.

Together they conspired to evade the payment of more than \$2 million in taxes owed by Gastanaga. Bognaes assisted Gastanaga by attempting to

prevent the IRS from seizing two homes for nonpayment of those taxes, and obstructed the IRS's sale of Gastanaga's interest in a ranch located in Paradise Valley, Nevada. Bognaes also created UBOs for several other clients, including doctors and chiropractors and taught his clients how to conduct their transactions through the use of nominees and by wiring funds offshore to Turks and Caicos.

And the list of infractions goes on. For one client, Bognaes generated fake receipts to support \$67,000 of false deductions during an IRS audit. This is precisely the kind of adviser that the IRS warns against in its annual Dirty Dozen Tax Scams. In this case, even pinning down the fugitive's identity was challenging.

When he was arrested, Bognaes contended that his name was Sam Smith. However, after the FBI confirmed that he was, in fact, Bognaes, he was transferred to the custody of the Bureau of Prisons to begin serving his prison term. He was a promoter of tax schemes, and the IRS and Justice Department have a long memory for that sort of thing. Of course, in the run-up to April 15th—actually April 18th this year—the IRS and Justice Department *want* you to think about tax filings. That's why there are so many criminal tax cases in the media this time of year.

Tax filings are a great leveler. Everyone with income above a certain level must file a return. And you must sign tax returns under penalties of perjury. Yet, taxes are complex, and the line between creative tax planning and tax evasion can be less clear than you might think. The U.S. taxes all income wherever you earn it. So, do not argue that only foreign-source income is taxable, making your domestic income exempt. It was a variation of this bogus theory that got [Wesley Snipes](#) in trouble, consigned to three years in prison.

Stay away from crazy arguments, and from promoters of risky tax schemes. The IRS has a long memory.

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