



Robert W. Wood THE TAX LAWYER

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Lawyer For NFL Players Sidelined Permanently...True Chicago Style?

Chicago is a great city, a peculiarly American city. Carl Sandburg's City of Broad Shoulders, it is the old and the new Mayor Daley, Studs Terkel and Mike Royko. It is an architect's city, big, friendly and Midwestern.

But even long after Al Capone was taken down over taxes, Chicago seems to grow tax scams. At least that's one conclusion to draw from several recent court battles involving tax lawyers and tax scams. Take tax lawyer Gary J. Stern, tax lawyer to some celebs, including the Bears Quarterback Kyle Orton. In fact, if you have a big income, seeing Mr. Stern to whittle down your tax bill might seem to make sense.

But that was then. Now Mr. Stern is barred by injunction from promoting tax fraud schemes and preparing the accompanying tax returns. The government claims he was facilitating



Kyle Orton of the Chicago Bears (Photo credit: Wikipedia)

unlawful tax schemes for his clients. Mr. Stern consented to the injunction without admitting the allegations.

The feds claim he concocted three tax scams and helped clients claim over \$16 million in bogus tax credits. The participants included lawyers, entrepreneurs and pro football players. Not all of them are thanking Mr. Stern for his tax savvy.

In fact, some have sued him alleging fraud, breach of fiduciary duty and professional malpractice. Sterns' tax deals were complex, probably intentionally so to make the grift harder to spot. But some of it was old-fashioned. Indeed, perhaps in a nod to Chicago's past, the feds claim that some of Stern's deals involved Stern or his cronies just keeping most of the money.

Court records reveal that the IRS even launched a criminal investigation in Mr. Stern's tax credit deals. In the Spring of 2011, a Special Agent from the IRS Criminal Investigation Division tried to interview Mr. Stern. According to court records, he invoked the Fifth Amendment.

So is all of this hubbub about Mr. Stern a reason to think that Chicago has more of its share of this? No, but read on. After all, it was only a month ago that **another** Chicago tax lawyer was barred from promoting **another** tax shelter.

That tax scam involved what federal officials say was distressed Brazilian debt used to improperly lower customers' reported income. It sounds like a David Mamet script. There were two injunctions entered against the perpetrators, tax lawyer John Rogers and two of his companies, Sugarloaf Fund LLC and Jetstream Business Limited.

Mr. Rogers' deals involved Brazilian debt shelter schemes said to have generated more than \$370 million in bogus tax deductions. And that makes him arguably a much bigger player than Mr. Stern. Like Mr. Stern, Mr. Rogers consented to the injunction without admitting the allegations.

In Chicago or anywhere else, how are people drawn into these deals? Athletes in particular may not engender much sympathy. The money they make seems incredible, and the work seems better than what most of us do for a living. Besides, the adoring fans and media seem generally supportive. And think of that endorsement income!

Still, their tax and financial lives are complex. Imagine not just dealing with the IRS or your own home state or home country's tax rules. Suppose you earn income in various states or countries and must apportion it and pay tax in many different places? Welcome to the world of the professional athlete.

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.