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THE TAX LAWYER

May. 31 2011 — 8:53 am | 222 views

When Too Good Tax Deals Become Fraud

Whether or not you put “tax” in front of it, “fraud” has a decidedly unpleasant ring. But tax fraud seems especially bad, invoking the wrath not merely of private parties but of the IRS. Yet tax fraud can involve state taxes too, as an Iowa judge recently proved with the now shut-down Iowa filmmaker’s tax credit scandal.

An [Iowan judge](#) sentenced Minnesota film producer Wendy Weiner Runge to a whopping 10 years in prison over the now suspended Iowa credit. Shut down in 2009 after publicized abuses—including a page one article in the [Wall Street Journal](#)—the program promised big tax credits to filmmakers—a whopping 50% of production costs.

But the credits were widely transferred, with filmmakers swapping credits for cash to those having Iowa tax liabilities. It wasn’t even clear that the production costs on which the credits were based were legitimate. Audit figures revealed film budgets padded with expensive and unneeded items that were really being financed with the tax credits. See also [Iowa Film Tax Credit Program Racked By Scandal](#).

Tax History Channel? On the federal side, trading in tax credits and deductions has a storied tradition. The most recent entrant into the tax scam hall of fame might just be the sham cemetery deals that are the subject of a current government enforcement action. The [Justice Department](#) has sued to enjoin Michael Strauss, Patrick Strauss and Joseph Barreiro from promoting sham cemetery investments that carry a

big promised tax component. See [Justice Department alleges tax scam run through sham cemetery in Va. in civil complaint.](#)

Here's how it's supposed to work. You're promised \$5 of tax benefits for every \$1 you invest! How can that be a bad deal? If the tax benefits don't turn out to be real despite tax opinions to the contrary, that's how.

See [Why Tax Opinions Are Valuable.](#)

The entities involved in the burial deal include Burial Specialists LLC, Memorial Specialists LLC, and Dignified Charitable Burials. According to government allegations, one of the entities bought a \$90 million license giving rights to future profits from performing funeral services. The entity with the license would deduct a portion of the license's value annually. See [3 accused of using sham cemeteries to run \\$35m tax scam.](#)

Given the numbers, you might think those tax deductions would provide huge tax losses to the investors. Yet the government's suit claims the license and its supposed value were grossly inflated and the purported tax benefits were fictitious. While it's too soon to say if the government will prevail, going after a tax shelter is usually its death knell. Who wants to invest in something the government is trying to shut down?

A good way to cross check marketing materials and tax opinions that you may suspect are not truly independent is to get your **own** advice. Also remember that the IRS can be a good source, such as their annual hit list of tax scams. See [Avoid IRS Hit List Of Tax Scams.](#)

See also:

[Filmmakers Sentenced In Iowa Film Office Scandal](#)

['Defiant' Wendi Runge receives 10 years](#)

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

[Ten Tax Protestor Claims To Avoid](#)

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