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Skirting Sales Tax Might Seem Harmless, But Can Become Criminal



Most tax cases are civil, but some tax cases can turn criminal and involve [harsh sentencing](#). You must sign tax returns under penalties of perjury, and there are plenty of missteps that can land you in hot water with the IRS. Even so, the risk of criminal prosecution is low. How about sales tax

imposed by state or local law? The risk of prosecution is low too, perhaps even lower, but that doesn't mean that a sales tax case turning criminal is impossible.

Take the recent case involving [Turning Natural Juice](#), a juice bar chain with locations in D.C. and Maryland. Under the D.C. sales tax, businesses must collect and pay over the tax, with restaurant food taxed at 10%. It turns out that Turning Natural's owner Jerri Evans was not paying sales tax at three locations for three years, adding up to \$452,522.07.

Some taxes were not charged or charged at a reduced rate, while others were charged and collected, but not handed over to the DC government. Then, to make matters worse, after being audited in 2018, Evans was given a final past-due tax assessment in 2019, but still failed to pay. You can read more in the release from [Attorney General Schwalb](#). In the end, Evans plead guilty, agreed on a payment plan, and also faces probation and community service.

For another scuffle involving both sales tax and income tax, consider Leona Helmsely. She died in 2007 at age 87, but was convicted of tax fraud that started with small and obvious acts of evasion. It didn't help her that in her tax evasion trial, a former employee testified that she said: "We don't pay taxes. Only the little people pay taxes."

Leona married Harry Helmsley in 1972 (her fourth marriage). Leona chiseled on her taxes, once making a sales clerk rewrite a bill for earrings to save \$4 in sales tax. In 1983, the Helmsleys bought a home Greenwich, Connecticut for \$11 million, spending another \$8 million in renovations. Mrs. Helmsley balked at paying contractor bills, which lead to contractor lawsuits that caught the eyes of the IRS. Contractors claimed that work on the Helmsleys' personal home was being charged to other properties as business expenses.

That was hard to explain, and there were sales tax issues too. It was said that Mrs. Helmsley purchased hundreds of thousands of dollars of jewelry in New York, but insisted that empty boxes be sent to Connecticut so she could avoid sales tax. Leona was convicted of 33 felony counts of fraud, including mail fraud, tax evasion and filing false tax returns. Initially, she was sentenced to 16 years in prison and fines of \$7 million, but on appeal, her sentence was reduced to four years in prison. She actually served only 21 months.

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