

IRS excuses get costly this year

BY BRIAN BRUS
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OKLAHOMA CITY – So you believe objections to military spending means you don't have to pay your taxes? Or you've got no fiduciary responsibility to the U.S. government?

The IRS isn't buying that logic. A rotten excuse is going to cost \$5,000 this year.

The Internal Revenue Service issued a notice this month listing four more erroneous, seemingly legal or logical positions that taxpayers should probably not use in order to avoid paying their taxes. Because to make more of an impression on tax-dodgers, the service also established a \$5,000 penalty for frivolous submissions.

"It is always amazing the creativity people exhibit when attempting to evade or advise others to evade their tax responsibilities," said David Stell, IRS spokesman for Oklahoma.

The IRS already has a long list of potential excuses that have been tried – 43 published in the latest notice, Stell said – including the idea that tax compliance is a form of involuntary servitude prohibited by the 13th Amendment and taxpayers can buy or sell the right to claim a child for the purposes of an earned income tax credit.

The service added four new positions this year: misinterpretation of the 9th Amendment regarding objections to military spending; erroneous claims that taxes are owed only by persons with a fiduciary relationship to the United States or the IRS;

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a nonexistent "Mariner's Tax Deduction," or the like, related to invalid deductions for meals; and misuse or excessive use of the Section 6421 fuels credit.

How a person feels about his taxes has no bearing on his responsibility to pay them anyway, said Lynda McColl, a certified public accountant in Mustang.

"The issue is whether you're playing fair," she said. "Some of these deductions people come up with are crazy.... And if you

ignore them, you're just compounding the problem."

McColl said a client once brought her business income paperwork for filing but nothing to show her business expenses.

"When I asked her for expenses, she said, 'Oh, just put down the standard.' I told her there was no such thing as a standard, so she proceeded to tell me what a bad CPA I was. Her previous CPA had a standard business expense he filled in for her. So I told her to take her stuff back to him."

The IRS expects documentation to justify every deduction, McColl said: "Used to

be that you could say you gave your child a dollar to put in the church collection plate, so that's \$52 a year. That's not acceptable anymore."

Joshua Jenson, a CPA operating his own firm in Oklahoma City, said that with the new penalty, accountants have another good reason to stay away from problematic clients, or at least try harder to explain the error of their ways. One of his clients, a multi-millionaire, tried to wriggle out of his taxes by claiming he lacked a fiduciary relationship with the government.

"I withdrew from the client, because

obviously I didn't agree with his position," Jenson said. "The new material on frivolous positions is causing tax preparers and CPAs to take a position of caution. It's become more of a two-way street.... We want to make sure we're working with someone who is also reputable and in good standing."

And no matter how much a taxpayer would like to shunt the responsibility onto a professional tax preparer, ultimately the IRS holds the individual responsible, he said. So shady preparers should be avoided.