

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

that he should receive probation when he is sentenced by a federal judge later this month.

Jan. 03, 2014

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us



Beanie Babies creator Ty Warner, who in October pleaded guilty to tax evasion, said that he should receive probation when he is sentenced by a federal judge later this month.

In a filing Wednesday in federal court that also describes his being a product of an “unhappy family,” Warner said that he has met with terms of his plea agreement, including paying a \$53 million civil penalty and at least \$16 million in back taxes.

Warner, who could also face up to five years in prison for one count of tax evasion, also pointed out that he had earlier tried to join an IRS tax amnesty program but was rejected, and cited his “lifelong support of charitable activities,” including for poor

children, the Red Cross and pediatric AIDS funds. He also said that many similar

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

worked “menial” jobs to earn money for college. He enrolled in Kalamazoo College in 1962 but dropped out because he couldn't afford tuition. He was unable to serve in the military due to hearing loss, the memo said.

“Ty's mother suffered mental illness during his childhood and, in the late 1970s, was diagnosed as paranoid schizophrenic” in an Elgin mental hospital, where Warner took her for treatment, the filing said, adding that Warner's father played little or no role in the care of his mother.

To make ends meet, he worked as a busboy, bellman, valet car parker, and fruit market vendor. He also sold cameras and encyclopedias door to door. He found his calling as a sales representative in the mid-1960s for Dakin Toy Co., which made figurines and stuffed animals, also called “plush” toys.

“Ty especially enjoyed selling a product intended for children, and he developed a keen sense of what particular plush toys children enjoyed,” the sentencing memorandum said. He became Dakin's top salesman, with a command of toy colors, expressions and sizes.

In 1985, with a second mortgage on his Hinsdale condominium, he formed Ty Inc., initially a one-man company that initially designed and made plush cats. Additional products were added, though for years Warner alone ran the business out of his condo, with inventory delivered to his condo and Warner packing boxes and driving them to the post office.

In the early 1990s, Warner introduced the Beanie Baby, which could be bought for about \$5. Filled with plastic pellets, they could be fit into a backpack or coat pocket. Early in the company's success, Warner in 1996 opened a Swiss bank account at UBS on the counsel of “polished and experienced Swiss financial advisers (now indicted

fugitives),” the court document said. That marked the beginning of “Ty's failure to

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Letters of support to the court included a tale of how Warner taught someone how to become a better salesman, which eventually led to his becoming head of a subsidiary in the United Kingdom. Warner also helped that executive's wife after she was diagnosed with multiple sclerosis, offering to send her to Johns Hopkins for treatment and giving the executive a flexible schedule so he could care for her.

Another executive also said that Warner was understanding when his wife also became ill, calling twice a day to inquire about her and never asking how long he'd be away from work. He called Warner “the most generous, kind and giving person” he had ever known.

Among other testimonials in the filing: Warner once paid for a life-saving kidney procedure for a woman he had asked for directions; Warner let a longtime worker live in his home so he could save money while finishing college; Warner gave six months' leave to an employee with a serious eye problem and arranged for a consultation at Johns Hopkins; Warner made efforts to help rebuild a children's hospital in Japan after the Fukushima disaster; Warner allowed a police officer to use a warehouse to start a dog-training business; Warner gave his car to a worker who had been saving money to buy one; Warner donated profits from a Ronald Reagan-inspired Beanie Baby to charity.

The memo said that “many” of Ty Inc.'s early workers rose from hourly wage jobs to become millionaires.

Warner has also paid more than \$1 billion in federal taxes during his lifetime, and has also allowed nearly \$16 million of charitable tax deductions to expire unused. Since 1995, he has donated nearly \$140 million in cash and toys to charity, the court filing said.

“Counsel for Ty was stunned to learn that he does not even have a current will nor any structure designed to minimize estate taxes,” the memo said.

His tax evasion was a “terrible mistake,” the filing said.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

that UBS provided in secret to the Justice Department in February 2009.

Even after being rejected for the program, Warner and his lawyers sought to rectify the situation, but neither the IRS nor the U.S. Justice Department provided any “substantive response to these repeated requests” until two years later — in September 2011, when a grand jury subpoenaed Warner for his offshore bank records.

Besides having moderate hearing loss, the filing also noted that Warner, 69, has high cholesterol, bilateral hip osteoarthritis, degenerative spondylosis of the lumbar, and plantar fasciitis. He was diagnosed in 2009 with prostate cancer, “which is now stable.” He takes seven medications.

The court filing mentioned two schools where Warner might perform community service: Ellen H. Richards Career Academy High School in Chicago's Back of the Yards neighborhood, and the Edward Tilden Career Community Academy High School on South Union Avenue in Chicago.

Warner has offered to teach students how to produce a retail product, such as a school mascot, that could be used as a fundraiser for the school.

Copyright 2014 – Chicago Tribune

Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us