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## PRODUCT & SERVICE GUIDE

# Ex-Con Tax Preparers Put Clients at Risk

Fresh out of prison, two felons went to work for uncredentialed tax offices, using fraudulent deductions to create bigger tax refunds for clients.

Mar. 23, 2014

Fresh out of federal prison, Eugene Gibbons became a tax preparer at C&M Tax Service in Atlanta, creating fraudulent deductions to fatten up tax refunds — the same crime that landed him behind bars before.

Roberta L. Allen also found that being a felon was no barrier in the tax preparation business. After her conviction and a spotty employment history, she started RefundNow in Lawrenceville. Her ploy: filing forms claiming fictitious real estate losses, helping clients to heftier refunds than they were due.

In the past year, Gibbons and Allen both got their payback: prison time. But their clients — even if they didn't know about the phony deductions — also suffer consequences. They may face back taxes, plus interest, plus penalties that can hit 50 percent.

Anyone in Georgia can set up a tax preparation business, no testing or experience required. Among area tax preparers nabbed in the past year are a convicted forger, people with histories of evictions, tax liens and bankruptcy, and others with shadowy pasts, an Atlanta Journal-Constitution examination found.

Some unethical preparers operate for years before authorities catch up with them. Once they do, the IRS drills into the client list, summoning people for audits. Often,

said IRS spokesman Mark Green, “They will be investigated to see if they had any knowledge they were participating in a scam. They still have to pay back taxes, even if they didn't know.”

In Cartersville, population about 20,000, hundreds of people may be on the hook after the IRS discovered what it has called a massive tax fraud — perhaps one of the nation's largest involving tax preparers. According to a lawsuit filed by the IRS, Larry Heath and his brother Andy falsified tax returns for years, to the tune of an estimated \$100 million. A federal court shut them down within the past year, but not until after they had prepared more than 20,000 tax returns.

Today, the Bartow County city is still feeling the impact. Former clients have had to go on installment plans after being ordered to repay excess refunds, said CPA Lloyd Williams, who has helped some deal with the IRS. And for years to come, the IRS could catch up with other Heath clients, officials said.

The Heaths used to have customers lined up outside the doors of their tax businesses. Friends told friends about the big refunds they got, Williams said.

Today, few want to talk about it. Call around about the Heaths in Cartersville, and some slam down the phone. But Internet message boards are lit up with remarks about them.

Apparently, however, no one asked the Heaths too many questions about their qualifications. Larry Heath told some he used to be a police officer in Shafter, Calif., according to the government's lawsuit. “He used to tell everyone who came in the office that he worked for the IRS previously,” said Debbie Sleight, one of the few former clients who spoke to the AJC about him.

Heath did not work for the IRS, a spokesman said. He was employed as a utility man with the city of Shafter's public works department from 1975-1976 and was sworn in as a reserve police officer in 1975, a city official said. Reserve officers are volunteer positions.

IRS officials won't say exactly what brought the Heaths to their attention. The agency relies on audits, cross-checks and red flags, such as a taxpayer who suddenly has three kids. But Green said word of mouth during tax season is often a tipoff: the IRS tends to pay attention when taxpayers start talking about receiving the largest refund ever.

“That gets back to us,” Green said. “We get a number of calls from ex-spouses, boyfriends, girlfriends.”

Unlike many area tax preparers accused of fraud, the Heaths have not faced criminal charges. The U.S. Justice Department did not respond to repeated AJC inquiries about their case. The Heaths could not be reached for comment.

About a dozen other area tax preparers have drawn prison sentences after their schemes came to light in recent years.

Bernando O. Davis of Davis Tax Service in Clayton County told people they could apply for government stimulus payments. He used their personal information to file tax returns in their names and in the names of prisoners. A postman blew the whistle after noticing that Davis was receiving hundreds of tax refunds at his home. In February, Davis was sentenced to more than 21 years in prison.

A homeless man unknowingly provided the clue that put Cora Ford of Stone Mountain in prison, said Dawn Kirkpatrick, spokeswoman for the IRS criminal investigation division. The man walked into an IRS office wanting to know why he hadn't received his tax check.

Turns out that Ford, who had a small ministry, had convinced the homeless, the disabled and poor that if they would provide their Social Security number, she would apply for grants for them. She also told some clients of her Budget Tax and Genesis Tax that she would prepare their tax return and it would be “a gift from God.” She pocketed the refunds, court records say.

She was sentenced to more than nine years.

In other cases, tax preparers charged out-sized fees in return for the generous refunds they promised clients. The government says Carlos Newton of Pinnacle Tax in Waynesboro called his fees “love offerings.” Then he created fake business expenses so clients would qualify for earned income credit refunds. He drew a two-year term.

Criminal prosecution of clients may be more rare. But the civil penalty for tax fraud is 75 percent.

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