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Ken Berry • May. 01, 2019

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The actor Wesley Snipes, who has starred in movies like “White Men Can’t Jump,”

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On appeal, Snipes had complained that he didn’t get a fair shake at trial, and the case went all the way up to the Supreme Court. But the top court dismissed his argument and he was forced to serve the time.

You’d think that would be the end of this tax story, but it’s not. Snipes still owed \$23.5 million in back taxes when he was set free. In order to resolve his tax debt, the actor made an OIC of \$850,000, or about 4% of the amount he owed.

As per usual, the IRS tried to determine the “reasonable collection potential“ (RCP) of Snipes. This is the amount that the IRS thinks it can reasonably collect from the taxpayer’s assets and future income before the statute of limitations expires. But Snipes wouldn’t cooperate with the IRS investigators.

When the IRS then denied Snipes’ OIC, he accused the agency of abusing their authority. He took the case to court and lost—again.

But there’s still more. Although the IRS eventually offered a buyout of \$9.5 million, Snipes refused to budge from his original offer. He claimed that paying anything more would cause him “economic hardship.” This is an exception to the usual OIC requirements. However, the economic hardship exception only applies in unusual circumstances, such as severe illness or disability, other medical conditions or financial needs of dependents.

In November, the Tax Court upheld the decision to deny the low offer made by the actor (Snipes, TC Memo 2018-184, 11/1/18). It appears that Snipes simply can’t win when it comes to taxes.

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Ken Berry, JD, is the tax correspondent for *CPA Practice Advisor*.

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