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TAXES

The Justice Department is asking a judge in Washington state to ban Donald J. Taylor from preparing federal tax returns.

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By Annette Cary, Tri-City Herald, Kennewick, Wash. (TNS)

A Kennewick tax preparer cost the United States \$42 million in lost tax revenue between 2017 and 2020 after filing tax returns that were riddled with errors, fabrications and fraudulent entries, alleges the Department of Justice.

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penalties, according to a court document.

The complaint also asks that U.S. Judge Stanley Bastian require Taylor to pay the U.S. government fees and payments he received from customers for whom he prepared tax returns with false or fraudulent claims.

If Taylor is not barred from preparing tax returns or doing related business, he is likely to continue his behavior, the Department of Justice said in the complaint.

It pointed out that Taylor was issued penalties totaling \$62,250 for reckless or willful understatement of tax liability on the returns or refund claims of his customers from 2007 to 2010, but it said that did not deter him from continuing to prepare tax returns with allegedly fraudulent claims.

“Taylor’s conduct is more serious because he was previously employed by the IRS,” said the court complaint. “As part of his training, he would have known of a return preparer’s duty of due diligence, and the consequences of failing to discharge that obligation.”

He worked for the IRS investigating and auditing taxpayers from 2002 through 2008, according to a court document.

In 2009 he entered the private accounting practice of Thomas M. Owen, CPA, at 100 N. Morain St., Kennewick. As a tax manager and tax preparer he prepares tax returns without supervision or review there, according to a court document.

The Department of Justice accuses Taylor of taking advantage of the differences between running a business as a sole proprietorship and an S corporation.

A sole proprietor reports any income and expenses on their individual tax returns, while an S corporation reports income, deductions and loss on a corporate tax return

and includes separate forms for shareholders in the company to report income and

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Accusations of fraudulent tax deductions

The complaint filed against Taylor details issues with tax returns he prepared for 10 businesses.

Among the many allegations in the complaint are:

- Claiming unsubstantiated business deductions for one business that owns no vehicles or assets, including \$6,710 in vehicle expenses, \$29,186 for repairs and maintenance, and \$22,366 for insurance.
- Claiming \$3,557 in office expenses for two years for a business, when the tax preparation customer said only \$76 was spent.
- Expensing \$67,471 in depreciation for three vehicles, knowing that the vehicles were privately owned rather than owned by the company.
- Reporting that a business owned a building and land worth \$90,000 and had a mortgage of nearly that much, then taking a depreciation deduction of \$2,545, and also claiming a \$17,577 deduction for a new roof. However, he knew the company did not own the business or land and had no mortgage, according to the customer who hired him for tax preparation.

Taylor prepared 779 returns for S corporations between tax years 2017 and 2020.

The Department of Justice concluded there was a 96% error rate on those returns to reach its conclusion of \$42 million in tax harm to the federal government, according to a court document.

His alleged conduct also harmed the public by undermining public confidence in the federal tax system an encouraging widespread violations of tax laws, according to the complaint.

“Taylor’s illegal conduct also causes intangible harm to honest tax return preparers,

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