

Business

# Will tax time cause you to do hard time?

By **Brian J. O'Connor, Tribune Content Agency**

Funny Money

MARCH 25, 2016, 10:30 PM

**A**s we head into the final weeks of tax season 2016, let's ponder this: Just how bad does your tax bill have to get before you end up in real trouble with the IRS? "Trouble," such as finding out federal agents are placing a lien on your house or garnishing your paycheck -- and I don't mean with parsley.

And just how far off the rails does your tax situation have to go before a federal auditor peers across his desk to ask, "So, what size orange jumpsuit will you be needing?"

Sure, we all share a little trepidation when it comes to filing our 1040 because, no, we didn't keep every single receipt for the business lunches we're claiming, but who does that? Plus, we're pretty sure that griping about Madeline in Purchasing does qualify as a business discussion, so we're safe, right?

"In fiscal year 2015, there were 3,200 criminal tax indictments," says Dennis Brager, a former IRS senior trial attorney who now defends taxpayers at the Brager Tax Law Group in California. "Eighty-one percent of those people went to prison for some length of time, and the average time served is 40 months."

The good news is that your unpaid taxes have to amount to a pretty hefty amount before you need to worry. "If the taxes are under \$100,000 it's usually not something that rises to a criminal level," Brager says. "If you owe the IRS five grand, I don't think you have to worry."

The bad news is that it's really easy for a few years of unpaid taxes to balloon to six figures after the IRS applies penalties that can amount to 50 percent of your unpaid tax tab. And, if the IRS decides you're unpaid taxes resulted from carelessness or negligence, that's another 20 percent.

So ask yourself: Was that "Gilligan's Island: Season 3" boxed-set of Betamax tapes you donated to the church rummage sale really worth \$700?

The IRS undoubtedly misses a lot of inflated claims or questionable deductions, and most tax disputes are handled with no more than a letter. But when Uncle Sam's bagmen take a deeper interest, things get ugly.

One of Brager's clients lost her home when the IRS went after her ex-husband and seized what had been joint property so that the agency could sell off her ex's share of the home. When the IRS started seizing bank accounts over another client's unpaid tax bill, the man moved all his assets into the name of one of his children, a move that cost him a year in prison.

"One the one hand, you can say, 'OK what are the odds?' " Brager notes. "Hey, the odds are in your favor, but if your number comes up, your chances went from 1 percent to 100 percent."

The worst part is that if the IRS does send you up the river, you still won't get out of filing your taxes. That's right: prison pay is taxable.

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