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HEADLINE: IRS LOWERS BOOM ON FAKE TRUSTS

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BODY:

In 1999, the Internal Revenue Service began cracking down on bogus trusts. Now the promoters are headed for prison while their clients' ill-gotten tax breaks are headed for the U.S. Treasury.

These mass-produced bogus trust documents are the key element in an illicit business offering freedom from taxes. The programs, marketed as a little-known way to reap huge tax benefits, direct the participant to deduct personal expenses such as home repairs and pool maintenance and mortgage payments. Some promoters say even your tax professional doesn't know about this "loophole."

These programs usually include cycling income through bank accounts, including some offshore. The money eventually goes back to the clients - less a fee to the promoters. Their idea is to make it difficult for the IRS to trace. But the agency can and does.

The government presses for prison time for the promoters. Among those recently sentenced are the following:

James Morris of Cincinnati sold "untaxing packages" through his firm called Excellence in Planning Associates. He got two years.

Glenn Rois of Benson, Minn., and Faye Reinke of Sacred Heart, Minn., sold sham trusts for \$1,500. Testimony indicated they advised clients to lie to the IRS agent if audited. In court, they denied selling trusts.

The judge said these defendants have "moved into the realm . . . where their behavior warrants an increased penal sanction." Each got three years and 10 months.

Ronald Chappell, a former CPA, Todd Gaskill, a former lawyer, and Martin Goodrich, all from California, dealt with thousands of dollars. One cardiologist and his wife sent more than \$680,000 through offshore trust accounts established by the trio.

At their trial in Redding, Calif., the judge characterized Chappell as an "unrepentant schemer who would continue to prey on gullible people who believe his sales pitch." They got seven years three months, four years 10 months and three years one month, respectively.

Dorothy and George Henderson of Roseville, Calif., collected more than \$1 million in fees over five years for their trust schemes. He got six years and six months. She got more, 11 years and three months, because of an additional charge of perjury.