

**Department of Justice
Tax Division
Enforcement Results
April 2006 to April 2007**

Fraudulent Tax Return Preparation

- In October 2006, a federal judge in San Diego sentenced professional tax return preparer Susan O'Brien to 125 months in prison, and her two associates, Robert Richard Evans and William Dean Cook, to 78 months and 24 months, respectively, in prison for tax fraud. In May 2006, a jury convicted the defendants in connection with promoting a \$1 million tax evasion scheme involving sham trusts and the preparation of false income tax returns.
- In May 2006, Buffalo-area return preparer **Joseph C. Dettelis** was sentenced to 50 months in prison for his conviction of aiding and assisting in the preparation of false tax returns, filing false claims with the IRS, and making false statements to the IRS. As part of the scheme, Dettelis charged his clients one-third of the fraudulent tax refunds they received from the IRS.
- In December 2006, a federal judge sentenced **Walter L. Daulton**, a former truck driver, to 46 months in prison for preparing false income tax returns for others. Daulton advised his clients that they could take deductions for expenses without regard to whether they actually incurred the expenses.
- In January 2007, a federal judge in Pensacola, Florida, sentenced **Kent E. Hovind**, owner and operator of Creation Science Evangelism Enterprises/Ministry (CSE), to ten years in prison for tax fraud. The court also ordered Hovind to pay \$604,874 in restitution, \$7,078 in prosecution costs, and forfeit \$430,000 in seized U.S. currency. In November 2006, a jury convicted Hovind on all counts of a 58-count indictment charging him with structuring bank transactions, corruptly obstructing the IRS, and failing to pay employment taxes. As part of CSE, Hovind operated Dinosaur Adventure Land, a theme park in Pensacola. According to court documents, Hovind failed to obtain Form W-4 information from CSE employees and failed to withhold taxes from employee wages. Hovind also structured cash withdrawals from AmSouth Bank in amounts less than \$10,000, in an effort to avoid the bank filing currency transaction reports.
- On June 29, 2006, the United States District Court for the Southern District of Florida barred a **Jackson Hewitt** franchise, its owner **Ahmad Labib Baltagi**, and two employees from preparing federal income tax returns that claim a frivolous federal income tax exemption for casino gaming proceeds paid to Native Americans. The court ordered the firm to notify all customers for whom the firm made such a claim.

According to the Government's complaint, the franchise operated approximately 20 Jackson Hewitt offices and employed approximately 150 tax preparers in the Miami area.

- On August 8, 2006, a federal judge permanently barred **Jean-Marie Boucicaut** and **Marie Thelemarque** of Orlando, Fla., and Boucicaut's company, **Tax Review Corporation**, from preparing federal tax returns for others. The court found that the defendants filed amended income tax returns for persons without their knowledge, let alone their authorization. The Government alleged that the defendants obtained tax information from copies of old tax returns given to them after the defendants offered to help taxpayers recover money allegedly owed to them by the IRS. The court stated that defendants used this information to prepare returns requesting tax refunds based on false credits and bogus deductions and directed the Internal Revenue Service to send the requested refund checks directly to them. The court also ordered Boucicaut and Thelemarque to return \$772,449 plus interest to the United States that they fraudulently obtained by intercepting and cashing 593 tax refund checks of other persons.
- On August 18, 2006, Judge Frederick J. Martone permanently barred **Jeffrey R. Hunn** of Snowflake, Arizona, from preparing federal tax returns for others. The court found that Hunn's fraudulent tax return preparation had resulted in approximately \$1.5 million in harm and potential harm to the federal Treasury. The court found that Hunn prepared tax returns for customers falsely reporting that they either received no income or substantially less income than they actually received. The returns falsely claimed refunds of all federal taxes withheld from customers' wages. According to the court, Hunn's actions follow a scheme promoted by **Peter Hendrickson** of Commerce Township, Michigan.
- On February 26, 2007, the United States District Court for the Southern District of Texas permanently barred **Jerome J. Harris** from preparing or filing, or assisting in the preparation or filing of federal income tax returns and related documents for others. The Court found that forty-three Harris-prepared federal income tax returns, which the IRS identified and examined, caused losses to the United States totaling \$378,860. Harris was also ordered to provide the Government with a list of his customers' names and addresses. Harris is currently serving a 57 month sentence for his conviction for false income tax preparation.
- On March 8, 2007, a federal court in St. Louis, Missouri permanently barred **Yolanda White** from preparing federal income tax returns for others. The court found that White prepared returns that inflated or fabricated tax deductions on schedules A and C. Many of her customers were Bosnian immigrants. The harm to the Government may have been more than \$1 million for tax years 2003 through 2005.

Tax Evasion

- In June 2006, **Steven E. Edwards** was sentenced to 150 months in prison for his conviction of insurance and tax fraud. The court also ordered Edwards to pay \$4.4 million in restitution to his victims, to forfeit \$3.89 million in proceeds traceable to the scheme, and to pay a fine of \$100,000. On February 21, 2006, Edwards, an officer and manager of three professional employer organizations, pleaded guilty to mail fraud, theft of approximately \$2.5 million from a healthcare benefits program, and income tax evasion. The tax aspects of the case involve Edwards's diversion of insurance premiums collected from clients and using the funds for his personal benefit. According to court papers, Edwards stole approximately \$2.5 million in healthcare premiums and attempted to evade more than \$1.9 million in income tax for 2000.
- In March 2007, **Walter Anderson**, a telecommunications entrepreneur, was sentenced to 9 years in prison for tax fraud. In September 2006, Anderson pleaded guilty to two counts of federal income tax evasion and one count of defrauding the District of Columbia for failing to report approximately \$365 million in income he earned from various business ventures between 1995 and 1999. Anderson crafted an elaborate scheme using offshore corporations and banks accounts in tax haven jurisdictions to conceal his income.
- In July 2006, in Pensacola, Florida, **Ward Dean**, a retired Navy commander and local outspoken tax protestor, was sentenced to seven years in prison for tax evasion. In December 2005, a jury convicted Dean of six counts of tax evasion and one count of attempting to obstruct the Internal Revenue Service in the collection of taxes. The court also ordered Dean to pay nearly \$300,000 in taxes that were assessed on the \$1.3 million he earned between 1997 and 2002.
- In April 2006, **James Delfino and Jeaniene Delfino**, husband and wife business owners, were sentenced to 78 months and 63 months in prison, respectively, for conspiring to defraud the United States and evading the payment of more than \$2 million in income tax. The defendants own and operate a successful computer consulting business, but have not paid personal income tax since 1993. The defendants concealed their income and assets from the IRS using sham trusts.
- In May 2006, a federal judge sentenced **Andrew Mark Armstrong** to 78 months in prison, and ordered him to pay a \$50,000 fine and to pay \$29,473 in restitution for willfully failing to account for and pay employment taxes to the IRS and for embezzling more than \$15,000 from an employee benefit plan and more than \$10,000 from an employee health care program. The defendant failed to account for and pay to the IRS withholding taxes for employees of All Tech, Inc., a small Iowa

business that repaired hydraulic parts and sold furnaces, for five quarters spanning 1999 through 2000.

- In December 2006, a federal judge sentenced **Charles Thomas Clayton**, a radiologist and proponent of the so-called 861 argument, to 60 months in prison for filing false tax returns and failing to file tax returns. The court also fined Clayton \$50,000. In August, a jury convicted Clayton of filing fraudulent claims for refund of more than \$160,000. Clayton also failed to file federal income tax returns for five years, despite receiving at least \$1.3 million in gross income during the period.
- In September 2006, a federal judge sentenced **Denny Patridge**, an Illinois insurance businessman, to 60 months in prison and ordered him to pay a fine of \$100,000 for attempting to evade approximately \$260,000 in income tax. In 2005, a jury found Patridge guilty of tax evasion. The evidence at trial showed that Patridge attempted to conceal his assets from the IRS by transferring them to a trust, filing a false lien on his home, using nominee bank accounts, and transferring funds to offshore accounts in Antigua and Belize.
- In May 2006, a federal judge sentenced **Richard Hatch**, of Newport, Rhode Island, to 51 months in prison for evading income taxes. In January, a federal jury convicted Richard Hatch, winner of the \$1 million prize in the first CBS "Survivor" television contest, of two counts of tax evasion and one count of filing a false S Corporation tax return. The jury found that Hatch failed to report the one million dollar prize from the show as well as more than \$300,000 in income from an appearance on a radio show, nearly \$28,000 in rental income, and \$36,500 in donations to a charity he used for personal expenses.
- In September 2006, a federal judge in Salt Lake City sentenced **Diane C. Christensen and Steven Christensen** to prison terms of 41 months and 37 months, respectively, for conspiring to defraud the United States by impeding the IRS's collection of federal income and employment taxes. In November 2005, the Christensens pleaded guilty to a conspiracy charge, admitting that from 1995 through 1998, they diverted withholding taxes from payroll businesses they operated and used the funds for personal expenditures. Diane Christensen's conduct cost the federal Treasury between \$2.5 million and \$5 million, and Steven Christensen's conduct cost the Treasury between \$1.5 million and \$2.5 million.
- In November 2006, a federal judge sentenced **Raymond Scott Stevenson**, former Vice President of Taxation at Tyco International, Ltd. (Tyco), to three years in prison and a fine of \$100,000 for filing a false corporate tax return. In September 2006, Stevenson pleaded guilty to filing a false 1999 corporate tax return for Tyco. Stevenson admitted that he directed a series of transactions designed to reduce Tyco's state tax liability and in so doing, caused Tyco to generate a \$170 million

federal capital gain. Stevenson intentionally failed to report the \$170 million in income on Tyco's 1999 federal corporate tax return.

- In September 2006, a federal judge sentenced **Thomas Mower** and **Leslie Mower**, the owners of Neways, Inc., a multilevel marketing company, to 33 months and 27 months in prison, respectively, for conspiring to defraud the United States and evading income taxes for six years. The indictment charged and the evidence at trial showed that the Mowers, with the assistance of their corporate counsel, **James Thompson**, devised a scheme to conceal from the IRS in excess of \$1 million in Neways, Inc.'s overseas gross receipts and in excess of \$3 million in commission income the Mowers received from Neways. **James Thompson** was sentenced to 12 months in prison.
- In February 2007, **Roy Albert Lewis**, a Danville, California dentist, was sentenced to 24 months in prison for tax fraud. Lewis was a member of Tower Executive Resources, a Denver organization that promoted a tax evasion scheme involving the use of false invoices and secret offshore bank accounts. Lewis's medical practice paid \$300,000 to Tower to generate false business deductions. Tower then deposited the bulk of the funds into a secret offshore bank account that Lewis controlled. The scheme promoters, Paul Harris, Lester Rutherford, and Robert Bedford, were previously convicted in the District of Colorado.
- In February 2007, **Robert W. Hallock** was sentenced to 24 months in prison for tax evasion. In October 2006, a federal judge convicted Hallock of evading more than \$400,000 in income tax. Hallock attempted to evade income tax on more than \$1 million he received when he sold fraudulent certificates of deposits in 1997. Hallock used the funds for personal expenditures, which included \$150,000 in checks payable to his girlfriend and her parents, and a \$100,000 honeymoon aboard a private yacht.

Promoting Tax Fraud

- In May 2006, **David Carroll Stephenson** was sentenced to 96 months in prison in connection with his promotion of a tax evasion scheme using "pure equity trust" organizations. In February 2006, a federal jury convicted the defendant of conspiring to defraud the United States and willfully failing to file income tax returns for 1998 through 2000. Co-conspirator **Michael Joseph Shanahan** pleaded guilty to a conspiracy charge and to failing to file an income tax return for 1999. In October 2006, he was sentenced to 36 months in prison. The defendants falsely advised more than 400 clients that they could avoid paying income tax if they placed their income and assets in "pure equity trusts," while continuing to maintain control over the income and assets.

- In June 2006, a federal judge sentenced five defendants, **Dennis Poseley** (84 months), **David Trepas** (60 months), **Patricia Ensign** (18 months), **Rachel McElhinney** (16 months), and **Keith Priest** (18 months), to prison terms for their respective roles in promoting a tax evasion scheme that used offshore trusts and bank accounts. In September 2005, a jury convicted the defendants of tax crimes for their promotion of the scheme through “Innovative Financial Consultants”, a Tempe, Arizona-based consulting company. The defendants advanced their scheme through domestic and offshore seminars, a promotional website, an interactive telephone conference line, and the use of offshore banks and nominee entities. From 1996 through early 2003, the defendants received \$4.7 million in fees from the sale of 2,000 “pure trust packages” that enabled customers to hide their income and assets from the IRS.
- In January 2007, **David J. Orr** and former attorneys, **Todd Cannon** and **Michael Behunin**, were sentenced to prison terms of 60 months, 36 months and 29 months, for their respective roles in promoting a tax and investment fraud scheme. In February 2007, co-defendant **Lanny White** was sentenced to 60 months for his role in the scheme. The defendants promoted a fraudulent trust scheme designed to help others evade taxes. Orr and White admitted that their actions cost the federal Treasury between \$5 million and \$10 million in lost tax revenue; Cannon, \$3 million; and Behunin, more than \$1 million. Earlier in 2006, the following co-defendants were sentenced for their roles in the scheme: **R. Scot Stokes** of Henderson, Nevada was sentenced to 54 months in prison; **Edward T. Woodger** of Salt Lake City, Utah was sentenced to 60 months in prison; and former California attorneys **Martin Arnoldini** and **Jerrold Boschma** were each sentenced to 54 months in prison.
- In December 2006, a federal judge sentenced Thomas Miller to 44 months in prison for conspiring to defraud the United States in connection with a “pure trust” tax fraud scheme. Miller operated Freedom Education Center, a business in California that sold anti-tax literature and helped people create bogus trusts. In September 2006, Miller pleaded guilty to conspiring with four First Mountain Bank employees to defraud the United States, in connection with the scheme.
- In November 2006, a federal judge sentenced **Milton H. Baxley, II** to 18 months in prison and fined him \$10,000 for contempt of court. On August 9, a jury convicted Baxley on two counts of violating an injunction order barring him from promoting a tax fraud scheme. Baxley gave American Rights Litigators (aka Guiding Light of God Ministries) permission to use his name and signatures on *pro forma* letters for customers to send to the IRS and *pro forma* complaints to send to the Treasury Inspector General for Tax Administration. The letters made frivolous arguments and the complaints falsely accused IRS employees of misconduct.
- In October 2006, a federal judge in Denver sentenced **Austin Gary Cooper** to six months in prison for criminal contempt. Cooper and his wife, Martha E. Cooper,

were charged with violating a permanent injunction order that, among other things, prohibited them from selling and promoting a fraudulent tax avoidance scheme through their organization, Taking Back America. The scheme involved a so-called expatriation/repatriation package that purported to exempt participants from the nation's tax laws. The Coopers sold the package for up to \$1,600. Martha Cooper failed to appear for her initial appearance on the criminal contempt charge and remains a fugitive.

- On April 17, 2006, an Illinois district court entered a permanent injunction barring **Partners in Charity, Inc.** (PIC) and its president, **Charles M. Konkus**, from making misleading statements in promoting a program that supposedly helps buyers fund the purchase of a home. The complaint alleged that PIC improperly advised sellers that they could claim a deductible charitable contribution in connection with the sale of their properties. A trade association has estimated that as many as 17,000 homes per month are purchased with the assistance of down-payment-assistance organizations like PIC.
- On June 22, 2006, District Judge Elizabeth Kovachevich issued an injunction permanently barring **Douglas Rosile**, a former certified public accountant whose clients included **Wesley Snipes**, from preparing federal income tax returns for others and from promoting a frivolous tax argument based on Section 861 of the Internal Revenue Code. Among the documents the Government filed in court was a return submitted to the IRS on behalf of Snipes claiming a bogus \$7.3 million tax refund. In court documents, the United States alleged that Rosile prepared returns based on the 861 argument for customers in 34 states and caused an estimated loss to the United States of at least \$29 million.
- On March 23, 2007, the United States District Court for the Middle District of Georgia permanently barred **Victor Carlisle Sullivan Jr.** from promoting and organizing an alleged tax fraud scheme involving the use of offshore trusts. The complaint stated that the IRS estimated that the trust scheme cost the United States over \$5 million since 1998. The court also required Sullivan to provide the Government with the names and addresses of his customers for whom he prepared trust-scheme tax documents in the past 10 years.
- On February 23, 2007, a federal court in Washington permanently barred **Rita I. Johnson** and her business, **Equity Preservation Association**, from falsely promoting a "corporation sole" program. The court stated, "While a 'corporation sole' is a legitimate corporate form that may be used by a religious leader to hold property and conduct business for the benefit of the religious entity, a taxpayer cannot avoid income tax by establishing a religious organization for tax avoidance purposes."

- On November 17, 2006, the United States District Court for the District of South Carolina barred **John Howard Alexander** of Greenville from promoting several tax fraud schemes. The civil injunction order, to which Alexander consented, bars him from promoting schemes that promise tax benefits based on statements to customers that U.S. citizens are not subject to tax, that residents of South Carolina are not required to file federal tax returns while working in the United States, and that customers can escape tax by revoking or rescinding their Social Security numbers. The Government complaint in the case alleged that Alexander and his ex-wife, Heather Ferguson, operated a business in Greenville promoting the so-called “861 Argument.”
- On November 29, 2006, Judge William M. Nickerson of the United States Court for the District of Maryland permanently barred **John Baptist Kotmair, Jr.**, of Westminster, Maryland, and his organization, “**Save-a-Patriot Fellowship**,” from selling a tax-fraud scheme. According to the court, after serving two years in prison for failure to file income tax returns, Kotmair began promoting the position that U.S. citizens need not pay any taxes on income earned within the 50 states – a view, according to the court, that has come to be known as the Section 861 argument. The court said the defendants boasted that their operation “has grown into a complex” of property with the equipment necessary to generate large numbers of frivolous documents to file with the IRS. The court found it was “abundantly clear” that the defendants were violating the Internal Revenue Code, that they would continue to do so, and that an injunction was necessary to stop their activities. The court further said that Kotmair and his organization knew or had reason to know their statements to customers were false but “stubbornly choose to ignore the rulings of numerous courts.”
- On December 5, 2006, a federal court in Chicago permanently barred **Carmelo Zanfei** of Steger, Illinois, and **William Crouse** of Greenwood, Indiana, and their businesses from promoting a health care reimbursement account scheme. The scheme helped hundreds of businesses and thousands of employees avoid federal employment taxes and, in the case of the employees, resulted in the under-reporting of income. According to the court, Zanfei and Crouse, with the help of South Dakota accounting firm Wohlenberg, Ritzman & Co. LLC, sold illegal or improper health care expense reimbursement plans to hundreds of employer-customers. The court concluded that the defendants knowingly misrepresented the tax benefits to employees and employers in selling these plans. According to the Government’s complaint, the IRS estimated that the defendants’ schemes cost the U.S. Treasury losses of between \$12 million and \$63 million and would cause ongoing losses of between \$6 million to \$24 million per year if the defendants were not stopped.

- On April 24, 2006, the Court of Federal Claims denied **New Dynamics Foundation's** claim that it is entitled to tax-exempt status under I.R.C. §501(c)(3). New Dynamics' founder, Robert Henkell, previously had been involved in promoting a variety of trust-based tax-avoidance schemes. New Dynamics planned to solicit charitable contributions that would establish so-called "donor advised" funds.

High-End Tax Shelters

- The Supreme Court denied the taxpayer's petitions for certiorari in two cases in which the United States Courts of Appeals had found, as the government had argued, that the taxpayers were not entitled to the tax benefits they claimed from tax shelter transactions that had no economic substance:
- On January 23, 2006, the United States Court of Appeals for the Sixth Circuit disallowed **The Dow Chemical Company's** use of economic shams to generate more than \$33 million of improper tax deductions. Dow purchased corporate-owned life insurance (COLI) policies on the lives of thousands of employees and claimed deductions for interest incurred on loans used to pay the policy premiums and fees.
- On July 12, 2006, the United States Court of Appeals for the Federal Circuit sustained the IRS's disallowance of an artificial \$375 million loss claimed by **Coltec Industries**. The loss was generated using a "contingent liability" tax shelter proposed by **Arthur Andersen**. In reviewing the transaction at issue, the Court held that "there is a material difference between structuring a real transaction in a particular way to provide a tax benefit (which is legitimate), and creating a transaction, without a business purpose, in order to create a tax benefit (which is illegitimate)." The court determined that the transaction served no useful economic purpose other than tax avoidance and should therefore be disregarded.
- On August 3, 2006, the United States Court of Appeals for the Second Circuit held that the IRS properly imposed \$62 million in additional income taxes against a subsidiary of **General Electric Capital Corporation**, which had entered into a sham partnership (**Castle Harbour**) designed by **Babcock & Brown**. The partnership allocated over \$300 million of its income to two Dutch banks that would not pay U.S. taxes on the income. The court held that the tax indifferent Dutch banks did not have a true equity interest in the partnership.
- On September 8, 2006, the United States District Court for the District of New Jersey held that **G-I Holdings, Inc.** failed to adequately disclose a disputed 1990 transaction, rejecting a challenge to the United States' \$500 million claim in this bankruptcy case. In doing so, the court stated that the return must disclose "in substance" the transaction that generated the omitted gross income.

- On October 16, 2006, the United States District Court for the Northern District of Texas granted summary judgment for the United States in **Colm Producer Inc. v. United States**, a "Son of BOSS" (Bond and Options Sales Strategy) tax shelter case in which the participants tried to claim large artificial losses arising out of the short sale of United States Treasury notes, to eliminate over \$100 million in taxable gains. (A short sale is a contract for the sale of securities loaned to the seller. They must later be returned to the lender.) The court held that the tax shelter participants had improperly claimed the losses they reported on their tax returns.
- In December 2006, Utah businessman **Chandler S. Moisen** pleaded guilty to conspiracy and wire fraud in connection with a criminal probe of tax shelters promoted by a group of KPMG, LLP executives.
- In January 2007, **Steven Michael Acosta**, a former KPMG manager, pleaded guilty to four felony tax charges in connection with his involvement in KPMG's promotion of tax shelter transactions. Acosta admitted that KPMG defendant David Greenberg, a former partner in KPMG's Los Angeles office, paid him \$600,000 to pose as a private hedge fund owner and manager of several entities that were used to advance the tax shelter known as short options strategy. Mr. Acosta also admitted that at the direction of Mr. Greenberg, he lied to an IRS agent about his and Mr. Greenberg's roles in marketing the shelters.
- On January 4, 2007, the Middle District of North Carolina granted summary judgment for the United States in **BB&T Corporation v. United States**, a case of first impression regarding the propriety of tax deductions generated by a Lease In – Lease Out (LILO) tax shelter. In a LILO tax shelter, the taxpayer purports to lease property from a tax indifferent party, such as a foreign firm or foreign Government, and immediately leases it back to the lessor under substantially identical terms so that the user of the property never gives up possession and control. At least 56 taxpayers have engaged in LILO transactions, according to a 2003 IRS estimate. Congress addressed LILO and the related Sale In – Lease Out (SILO) tax shelters by amending the Internal Revenue Code prospectively in the American Jobs Creation Act of 2004. At the time, the Joint Committee on Taxation estimated that these amendments would save the federal Treasury \$26.56 billion.
- On June 29, 2006, Judge David O. Carter enforced IRS summonses issued to the law firm of **Lee Goddard & Duffy, LLP**, and attorney **William A. Goddard**, in connection with a tax shelter promoter penalty investigation. The court also ordered investor names disclosed. According to documents filed in the case, the IRS believes Goddard and the firm promoted and facilitated the potentially abusive tax shelters developed and marketed by KPMG LLP.

- On January 31, 2007, Judge T. John Ward decided that the loans which created tax deductions lacked economic substance in **Klamath Strategic Investment Fund, LLC by and through St. Croix Ventures, LLC v. United States**, an important Son of BOSS tax shelter suit. The court upheld the IRS's determination that tax shelters purchased by tobacco litigation attorneys **Harold Nix** and **Charles Patterson** were ineffective as a matter of law to generate the more than \$50 million in tax deductions they claimed. This is the third Son of BOSS case heard by a federal court.
- On March 2, 2007, in **AD Global Fund, LLC v. United States**, the United States Court of Appeals for the Federal Circuit ruled for the United States on an issue raised by tax shelter participants in several tax shelter refund suits. It held that the statute of limitations on the return of a person who participates in a tax shelter partnership does not expire before the statute of limitations on the partnership's return does.
- On March, 20, 2007, the Ninth Circuit Court of Appeals ruled in **Reiserer, et al. v. United States** that penalties for promoting abusive tax shelters survive the death of the promoter. Kenneth Reiserer, an attorney who promoted an abusive tax shelter, was under investigation by the IRS and subject to penalties for promoting abusive tax shelters. Reiserer moved to quash summons the IRS served on his law firm's bank, but died while the motion was pending in District Court.
- On March 28, the court ruled for the United States in **CEMCO Investors, LLC v. United States**, a suit challenging the IRS's disallowance of \$3.7 million in tax benefits from a so-called 2002 Short Option Strategy ("SOS") tax shelter. The court also determined that a 40% valuation penalty was warranted. This tax shelter had an opinion letter from **Jenkins & Gilchrist**.