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Home » News » Press Release

NEWS



United States Attorney Jenny A. Durkan Western District Of Washington

Long Time Abusive Trust Promoter Sentenced To 7 Years In Prison For Conspiracy, Income Tax Evasion And Interfering With Income Tax Laws

Judge Says Tacoma Woman Promoted "Absurd Proposition" Out of Greed

FOR IMMEDIATE RELEASE

November 17, 2011

SHARON D. KUKHAHN, a/k/a Sharon Stephenson, 62, of Tacoma, Washington was sentenced yesterday in U.S. District Court in Tacoma to seven years in prison, three years of supervised release and \$856,681 in restitution for Conspiracy, four counts of Tax Evasion and Corrupt Interference with Internal Revenue Laws. KUKHAHN was convicted in May 2011, following a seven day jury trial. She was remanded to custody immediately following the verdict. At the sentencing hearing today U.S. District Judge Benjamin H. Settle said he has not seen many cases with this level of "greed, obfuscation, delusion, and treachery." Judge Settle noted that KUKHAHN has damaged many people because they placed their trust in KUKHAHN and her "absurd" advice that they did not owe income taxes.

According to the indictment, KUKHAHN promoted the same type of abusive trust scheme that in 2006 sent her partner, David Carroll Stephenson, 54, to prison for eight years. Stephenson was convicted following a two week trial and ordered to pay \$8.5 million in restitution. At KUKHAHN's trial, prosecutors detailed the steps KUKHAHN took from 1999 to 2005, as part of a conspiracy to promote an abusive trust scheme designed to hide individual taxpayers' income and assets from the IRS. KUKHAHN and other conspirators referred clients to Stephenson, who sold trust packages to more than 400 individuals. Purchasers used the trust packages to conceal income and assets from the IRS, and, as a result, failed to pay in excess of \$7 million in income taxes. The jury found that through her own use of the trust packages, KUKHAHN evaded paying income taxes in 2003, 2004, 2005, and 2006.

The jury found that KUKHAHN engaged in a business that attempted to thwart the efforts of the IRS to collect taxes owed by advising clients that they did not owe taxes. For a fee, KUKHAHN helped clients obtain internal records from the IRS, claimed to "decode" them, and then mailed so-called "rebuttal packages" that supposedly would remove clients from the tax system. In reality, the packages were designed to stop audits and collection by harassing IRS employees, as well as to provide clients with a defense to tax evasion charges by creating evidence which the client could later use to dispute his or her criminal intent. KUKHAHN also provided a frivolous letter-writing service for clients that was further designed to thwart IRS efforts to collect taxes owed. KUKHAHN sold this scheme to more than 1,400 clients, thereby assisting them to cheat the U.S. out of more than \$4 million in income taxes.

In sentencing KUKHAHN, the Court also noted that even after she had been enjoined from promoting the "decoding" scheme during 2008, KUKHAHN started promoting a different fraudulent tax scheme. In that scheme, which was not charged in the Indictment, KUKHAHN sold bogus bonds that were intended to be used by purchasers to pay their taxes.

"Promoting an abusive trust scheme designed to hide other people's income and assets from the IRS, operating a business that attempts to thwart the efforts of the IRS to collect the taxes owed by your clients, and evading your own income taxes are not good ways to maintain your freedom," said Marcus Williams, the IRS Special Agent in Charge of the Pacific Northwest. "This defendant will have many months in prison to decide whether or not it was worth it."

In their sentencing memo, prosecutors noted that for ten years the IRS had implored KUKHAHN to stop evading taxes and promoting fraudulent schemes, but she refused. "As Kukhahn watched her clients sink deeper and deeper into tax debt, she charged them \$100 to \$125 to produce form obstructive letters having absolutely no value. Kukhahn used the proceeds she received from writing these obstructive letters, as well

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as from promoting the fraudulent decoding program and trusts, to live large - buying, among other things, a Mercedes, a 42' yacht, land in Panama, and a bay-view home in North Tacoma," prosecutors wrote in their sentencing memo.

The case was investigated by the Internal Revenue Service Criminal Investigation (IRS-CI).

The case was prosecuted by Assistant United States Attorney Arlen Storm and U.S. Department of Justice Trial Attorney Mike Romano.

[Return to Top](#)



[HOME](#)

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[Our District](#)
[FAQ](#)
[Getting Here](#)

[MEET THE
U.S.
ATTORNEY](#)

[NEWS](#)

[DIVISIONS](#)

[Org Chart](#)
[Civil](#)
[Criminal](#)

[PROGRAMS](#)

[Community Outreach](#)
[PSC](#)
[PSN](#)
[Victim-Witness](#)

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