



Ex-KPMG Partner Pleads Guilty in Tax-Shelter Case (Update5)

March 27 (Bloomberg) -- Former KPMG LLP partner David Rivkin pleaded guilty to helping sell improper tax shelters, becoming the first ex-employee of the accounting firm to admit helping rich people hide income from the Internal Revenue Service.

Rivkin, 42, told U.S. District Judge Lewis Kaplan in New York today he conspired to help clients with more than \$20 million each in income or capital gains "keep the money for themselves instead of paying taxes they owed." Kaplan accepted guilty pleas to tax evasion and conspiring to defraud the government.

Rivkin agreed to cooperate with prosecutors and could help convict other defendants at a September trial. He is the second person to plead guilty in the investigation of KPMG, U.S. arm of the fourth-largest accounting firm, KPMG International. The firm agreed to pay \$456 million to avoid prosecution.

The probe was a "watershed event," and Rivkin's plea "is a very significant development in this ongoing investigation," IRS Commissioner Mark Everson later told a Washington meeting of the Tax Executives Institute, a corporate management group.

Rivkin told the court he wrote letters for clients to use with the IRS saying the shelters were part of a long-term investment strategy.

"The real purpose was to generate phony tax losses to claim on returns," he said. The government said the false losses totaled more than \$11 billion.

2007 Sentencing

Under Kaplan's questioning, the accountant said the loss to the government from shelters he sold to nine clients was about \$235 million.

Rivkin is to be sentenced in February 2007. He faces a maximum punishment of five years in prison for each of the two counts, which the judge said could run consecutively or concurrently, and a \$250,000 fine. He may be ordered to pay restitution and the cost of his prosecution.

Outside the courtroom, Rivkin and his attorney Patrick Hall declined to comment.

Rivkin was a San Diego partner in KPMG's "innovative strategies" group, the government indictment said. He told the court his job was to market and help administer shelters "designed and approved by senior partners." He admitted conspiring with other managers in the scheme from 1999 to 2005.

KPMG in August admitted it committed fraud in selling shelters to 601 people and agreed to pay \$456 million. Under a deferred-prosecution agreement, the firm must submit to oversight by an independent monitor for three years. Charges will be dropped if the firm abides by the agreement through 2006.

Executives Charged

KPMG earned about \$115 million in fees from the shelters and said they generated at least \$11.2 billion in falsely claimed losses. The shelters cost the government at least \$2 billion in revenue, prosecutors said.

The government charged 19 people, including 17 ex-KPMG executives, with selling the illegal shelters.

Among those charged are KPMG's former deputy chairman, Jeffrey Stein; its onetime finance chief, Richard Rosenthal; and former tax partner David Greenberg. All denied wrongdoing.

In February, the Munich-based bank HVB Group agreed to pay \$29.6 million to avoid prosecution on charges it helped KPMG sell the shelters. The bank had been accused of conspiring to defraud the IRS, evade taxes and file false returns.

A former HVB accountant, Domenick DeGiorgio, previously pleaded guilty and agreed to cooperate.

The case is U.S. v. Stein, 05-CR-888, U.S. District Court, Southern District of New York.

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