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Up against the IRS, Snipes surrenders

By Kim Christensen
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The last few years have not been kind to Wesley Snipes.

The actor lost his Florida home to foreclosure, was sued for \$2 million by his own talent agencies and was named in a paternity suit by a woman who claimed she bore his son after having sex with him in a Chicago crack house.

Snipes said he didn't even know the woman and won the paternity suit when a DNA test proved he was not the father.

Now he faces a more daunting legal challenge. On Friday he surrendered in Orlando, Fla., on federal charges that he tried to collect \$11.4 million in fraudulent income tax refunds and failed to file returns after 1998.

Indicted with two other men on Oct. 17, the star of the "Blade" trilogy, "Jungle Fever" and "New Jack City" faces up to 16 years in prison if convicted of all charges.

At his initial court appearance Friday in Ocala, Snipes pleaded not guilty and was released on a \$1-million bond.

U.S. Magistrate Judge Gary R. Jones also granted Snipes, 44, permission to return to Namibia to finish filming "Gallow Walker," an independent production in which he plays a cowboy named Kaos. He must be back by Jan. 10 and surrender his passport, pending a trial scheduled for March.

Snipes, who had been out of reach for the IRS while in Africa, turned himself in after his representatives and federal officials negotiated his return, said Steve Cole, a U.S. attorney's spokesman in Tampa.

"He had a private jet and landed in Orlando, where IRS agents arrested him and transported him to Ocala," Cole said. "It was a prearranged arrest. We were there waiting on the tarmac."

In a recent e-mail to an Orlando newspaper columnist, the actor cast himself as a "scapegoat" and a victim of the public's appetite for "celebrities gone bad." He reiterated his innocence to reporters outside the courthouse Friday.

"I look forward to clearing my name and resolving this issue — posthaste," Snipes said, maintaining that he had left for Namibia before the indictment came down and was never on the lam.

"I didn't flee," he said "I was already gone."

Defense attorney Billy Martin called Snipes "the victim of unscrupulous tax advice," signaling he would try to lay the blame on two other men charged in the case.

Co-starring with Snipes in the highly publicized tax drama are Eddie Ray Kahn, a veteran tax protester, and Douglas Rosile, who worked as an accountant despite the revocation of his CPA licenses in Ohio and Florida.

Six years ago, Snipes allegedly snubbed his longtime financial advisor and put his faith in Kahn, who founded the anti-tax group American Rights Litigators.

Touting it as "a professional organization that utilizes aggressive CPAs and attorneys," Kahn traveled the country, conducting seminars for people who paid \$40 to learn his "proven techniques" for dealing with the IRS, according to court records.

"Do you FEAR the IRS?" blared a flier for one event, held at a Holiday Inn in Dayton, Ohio. "If you fear a Public Servant, then he is not your SERVANT ... he is your MASTER."

Kahn, who espoused an array of tax-avoidance strategies, was arrested Nov. 1 at Miami International Airport after Panamanian officials expelled him from the country in which he had lived for two years. He remains in custody.

Rosile turned himself in Oct. 17 and was released on his own recognizance after pleading not guilty. Neither could be reached for comment.

It's unclear how Snipes got involved with the pair, although all three apparently lived in central Florida at the time.

Kahn founded American Rights Litigators in 1996 in Mount Plymouth, Fla., and brought Rosile and others, including his wife, Kathleen "Kookie" Kahn, into the business.

The organization allegedly prepared fraudulent tax returns for as many as 4,000 clients nationwide who paid annual membership fees of \$150, according to court documents. For an extra \$69.95 a year, the records state, they could subscribe to the "Tax Truth Newsletter: Exposing the Deceptive Practices of the IRS."

Members also allegedly paid as much as \$1,400 "for each abusive tax scheme provided," the indictment says, and turned over 20% of any refunds that resulted, with Kahn and Rosile splitting the proceeds.

Prosecutors say Snipes joined the group in March 2000 and shortly thereafter submitted the first of two amended returns that unsuccessfully sought multimillion-dollar refunds of previously paid taxes. He filed the second a year later.

The actor not only used Kahn's services, authorities say, but promoted them. In June 2000 he hosted one of Kahn's seminars at his home in California, where attendees were tutored in "fraudulent tax positions," the indictment states.

In addition to filing allegedly fraudulent returns for 1996 and 1997, Snipes is accused of submitting \$14 million in fictitious "bills of exchange" as payment for unspecified taxes. The documents, which appeared to be genuine and bore watermarks and other security features, were nothing more than counterfeit checks, prosecutors allege.

Snipes also allegedly wrote to the IRS — twice — to challenge an agent's authority to investigate him. And he allegedly signed an Affidavit of Incompetence that claimed he did not understand the tax laws or know whether they applied to him.

Many tax protesters have employed similar tactics.

Some rely on constitutional objections, including that the 16th Amendment, which established the income tax, was never properly ratified after its passage nearly a century ago. Others contend that states are sovereign entities, beyond the sway of the IRS.

Snipes allegedly used the "861 argument" — named for a section of the IRS code — asserting that U.S. citizens can be taxed only on income earned *outside* this country.

"It is goofy," said Mark Luscombe, an analyst at CCH, an Illinois tax-research firm. "Most of these arguments boil down to that sort of ridiculousness. Ultimately, these protesters almost always end up losing."

Former federal prosecutor Brian J. Hennigan, a Los Angeles attorney who has defended such high-profile tax clients as baseball's Darryl Strawberry, said Snipes' case was hardly unique.

"It's fairly common for people who don't want to pay taxes to cite some obscure court case from 100 years ago, or some statute that, if held up to a mirror and turned around three times, would say something else," Hennigan said.

Snipes' plan to shift blame to his codefendants could be a tough sell to a judge or jury if, as the government contends, the actor's longtime tax advisor told him in June 2000 that the 861 argument was bogus and that he was subject to federal taxes and bound by law to file returns.

Instead, Snipes allegedly ignored his unidentified advisor and relied instead on the advice of Kahn, whose business underwent a metamorphosis of sorts three years ago.

In August 2003, Kahn moved American Rights Litigators to Mount Dora, Fla., 40 miles northwest of Orlando, and began operating as the Guiding Light of God Ministries, according to records and interviews.

Its headquarters were a second-story walk-up office in a quaint downtown business district known mostly for its gift shops.

Kahn ran afoul of city officials when he refused to get a business license. In documents filed with the Lake County clerk, he billed himself as the "presiding overseer" of the ministries and claimed that his organization was exempt because of its religious mission.

He also sent a couple of lengthy letters to the city manager, quoting from the Bible to bolster his position. And he filed a "vow of poverty" in which he pledged, among other things, "to bring the fullness of Love, acceptance and understanding to the least of mankind and to give guidance to those in need."

"Prosperity may be considered a noble goal for those who strive for it; however, the poverty I, Eddie Ray Kahn, choose will better groom my soul to accept God's direction as a blueprint for how I, Eddie Ray Kahn, must live, to be able to serve Him better," he wrote.

But as far as city officials could tell, the only religious activity that Eddie Ray Kahn engaged in was his anti-tax gospel.

"We took the position that what he was doing was not religious, but that he was providing consulting services," said former City Atty. Gary Cooney. "We told him he had to come in and pay his 30 bucks and get his occupational license."

Kahn eventually ponied up the fee and dropped off city officials' radar — for a while.

"The next thing we knew, we got a call from the Treasury Department telling us they needed some help in raiding his office," Cooney said.

That was in early 2004, about two months after the government sued to put Kahn out of business, alleging he was bilking taxpayers and depleting the U.S. Treasury. In December 2003, a federal judge ordered Kahn and his associates to stop their tax work.

One of his colleagues, Gainesville lawyer Milton H. Baxley II, recently was sentenced to 18 months in prison and fined \$10,000 on a contempt of court charge for violating the order. Baxley declined to comment.

Some who have known Kahn — or at least followed his exploits — expressed amazement that Snipes, or anyone, would have listened to him in the first place.

Jay D. Adkisson, an Orange County lawyer and the editor of Quatloos.com, a website dedicated to tracking financial fraud, has inducted Kahn into his Quatlosers Hall of Shame.

Among the reasons the website lists for the appointment are that Kahn has claimed that the IRS has no power to collect taxes, that all U.S. tax money goes to the International Monetary Fund and that the United States includes no states — only the District of Columbia.

"We have a lot of people out there who are tax protesters," Adkisson said, "and Eddie is probably one of the dumbest."

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