

Document 1570

[21570001]

AMONG THE CATFISH farmers in the watery delta land of Humphreys County , Miss. , Allen D. Tharp of Isola was one of the best known and most enterprising .

[21570003]

And he nearly always bought and sold for cash .

[21570004]

Along the way , Mr. Tharp omitted a total of \$ 1.5 million from his receipts reported on federal tax returns for three years .

[21570005]

The returns landed in the hands of an Internal Revenue Service criminal investigator , Samuel James Baker .

[21570006]

Mr. Baker interviewed or wrote to hundreds of catfish farmers , live-haulers and processors throughout the South before coming up with detailed estimates of purchases and sales , in pounds and dollars , by Mr. Tharp and others .

[21570007]

Unknown to Mr. Tharp , he had fouled his net on a special IRS project to catch catfish farmers and haulers inclined to cheat on their taxes .

[21570008]

Confronted with the evidence , Mr. Tharp pleaded guilty to one charge of filing a false return and was fined \$ 5,000 and sentenced to 18 months in prison .

[21570009]

He also owes a lot of back taxes , interest and civil fraud penalties .

[21570010]

A lot of taxpayers out there are n't as paranoid as one might think .

[21570013]

Mail-order ministers have been squelched .

[21570014]

Now , television and radio evangelists are under scrutiny .

[21570015]

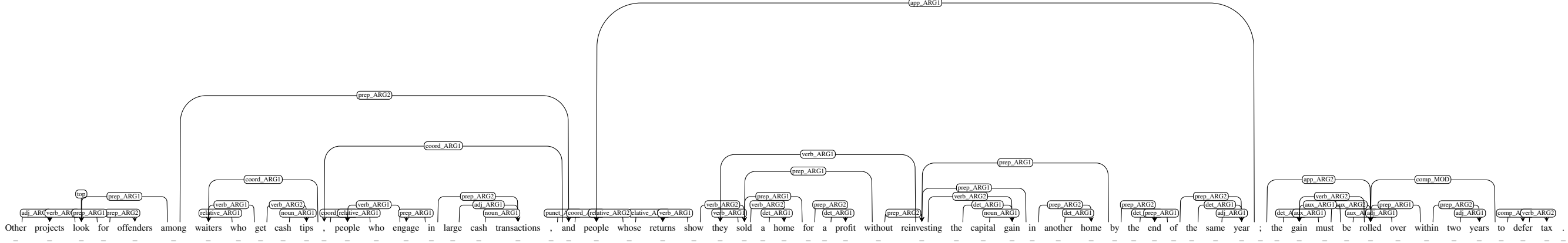
The IRS recently won part of its long-running battle with the Church of Scientology over exemptions when the U.S. Supreme Court held that members ' payments to the church were n't deductible because the members received services in return .

[21570016]

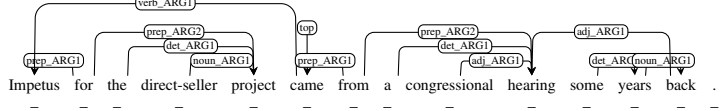
IRS statistics show that the more persistent hiders of income among sole proprietors of businesses include used-car dealers , entertainment producers , masons , roofers , and taxi owners .



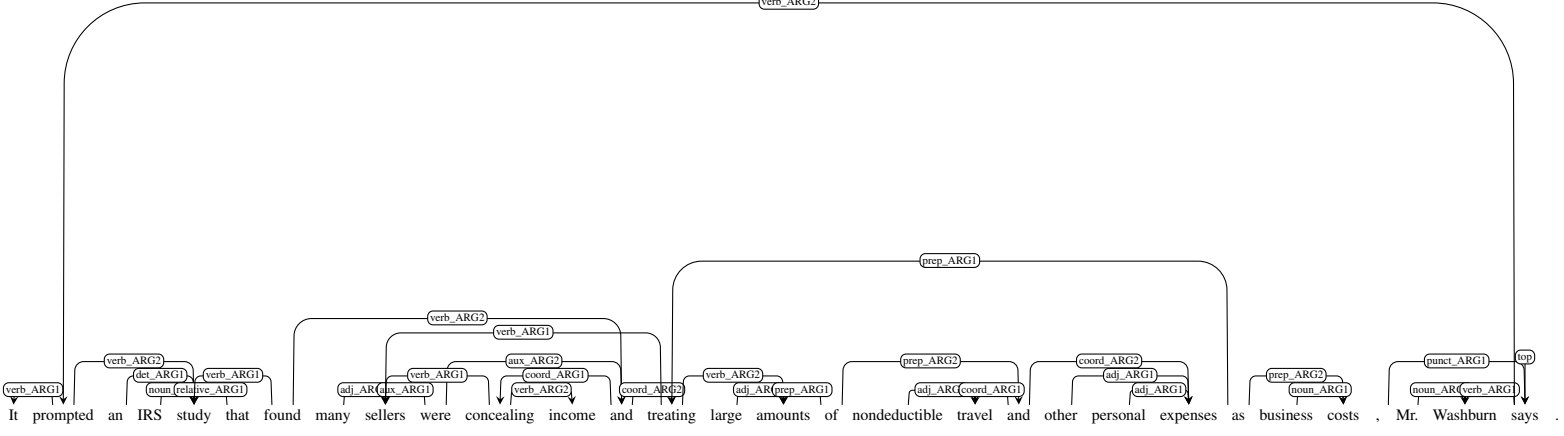
[21570030]



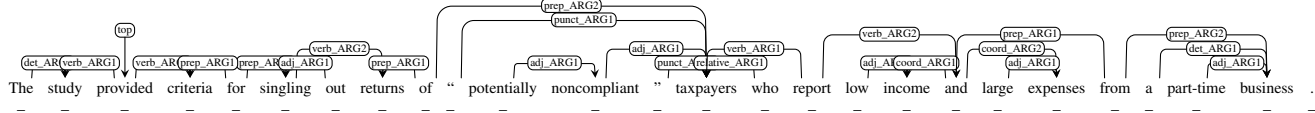
[21570032]



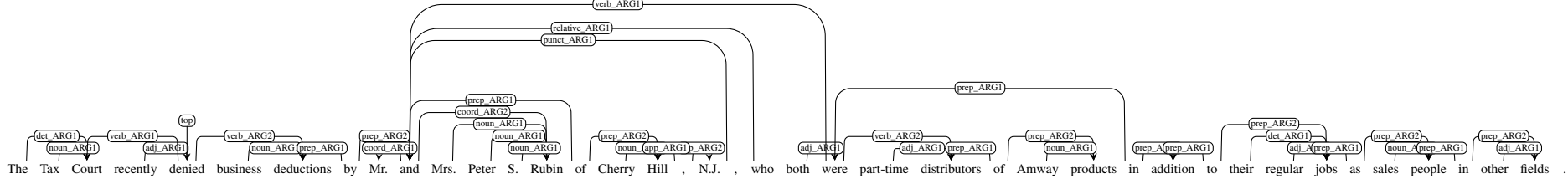
[21570033]



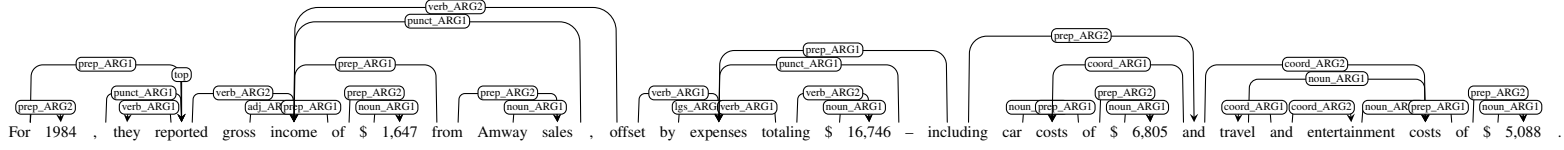
[21570034]



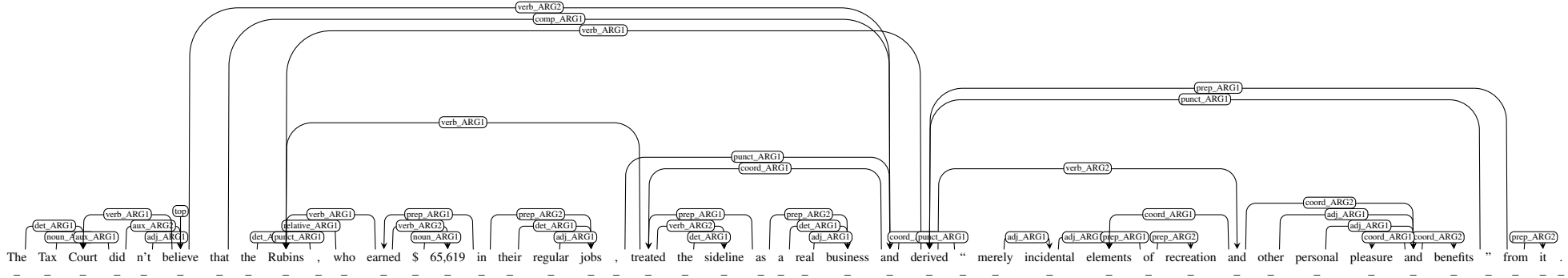
[21570035]



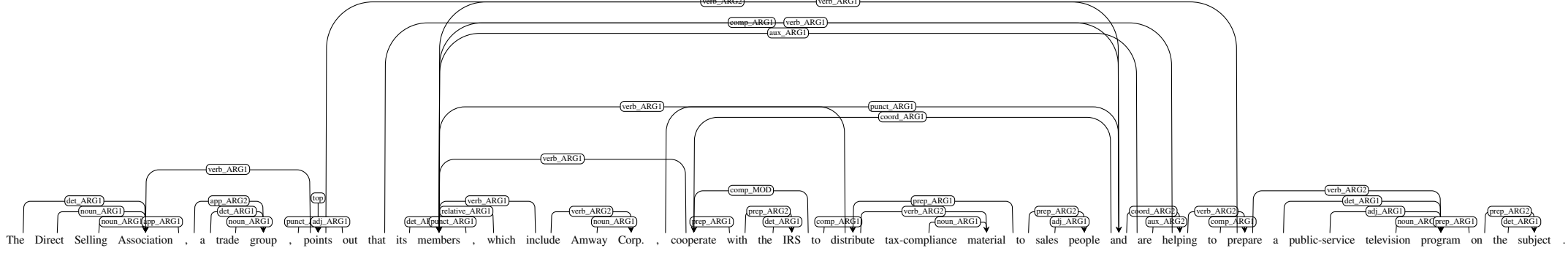
[21570036]



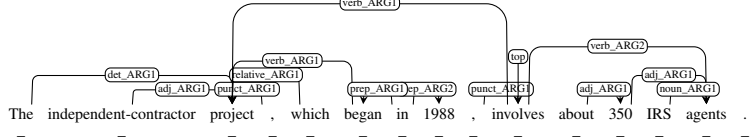
[21570037]



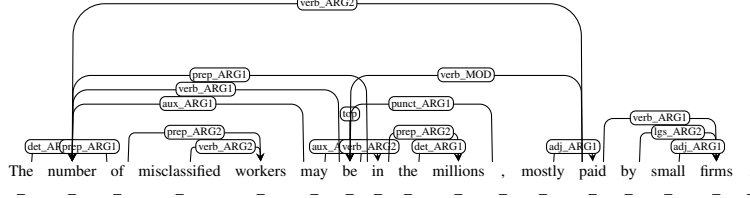
[21570038]



[21570039]



[21570041]



[21570042]

Many workers , especially professionals , want to remain independent to avoid tax withholding and to continue to deduct many expenses that employees ca n't .

But many others , who want to qualify for employee benefits and unemployment compensation , become tipsters for the IRS , says Jerry Lackey , who manages the IRS project 's force of nine agents in north and central Florida from Orlando .

Firms that are paying employment taxes also provide leads to competitors that are n't , he says .

In his area , Mr. Lackey continues , the miscreant employers most commonly are in construction - doing framing , drywall , masonry and similar work .

But a medical clinic with about 20 employees wrongly listed all of them - including physicians and receptionists - as independent contractors .

The IRS assessed the clinic \$ 350,000 in back payroll taxes .

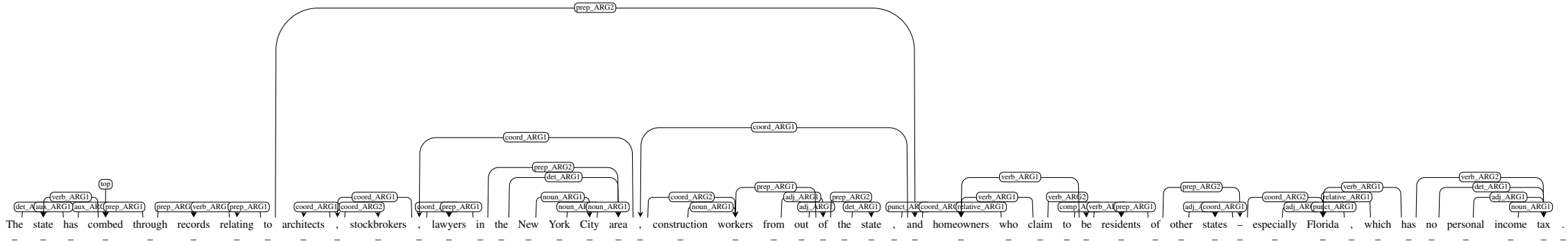
It assessed nearly \$ 500,000 against a cruise-ship company that carried about 100 deckhands , cooks , bartenders , entertainers and other employees as self-employed independents .

Revenue-short states also are becoming more aggressive pursuers of tax delinquents , and perhaps none tracks them down with more relish than does New York since it acquired an \$ 80 million computer system in 1985 .

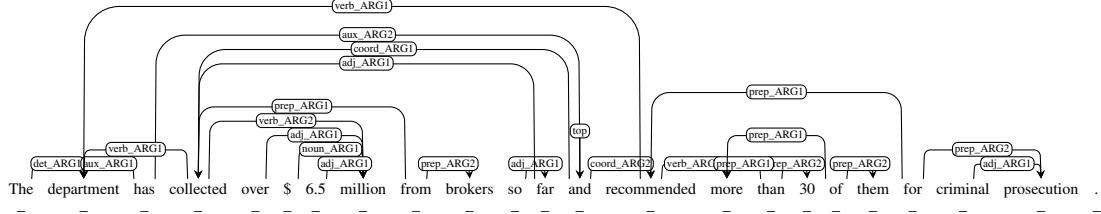
The state 's tax enforcers have amassed data bases from other New York agencies that license or register professionals and businesses : from exchange agreements with the IRS , 24 other states , and two Canadian provinces , and even from phonebook Yellow Pages .

Thus armed for massive matching of documents by computer , they single out high-income groups , looking primarily for people who have n't filed New York income-tax returns .

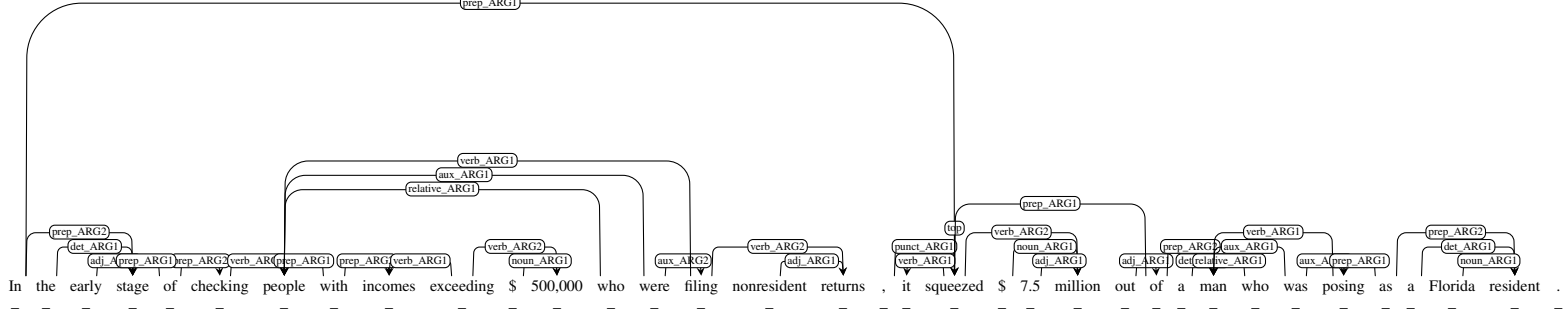
[21570052]



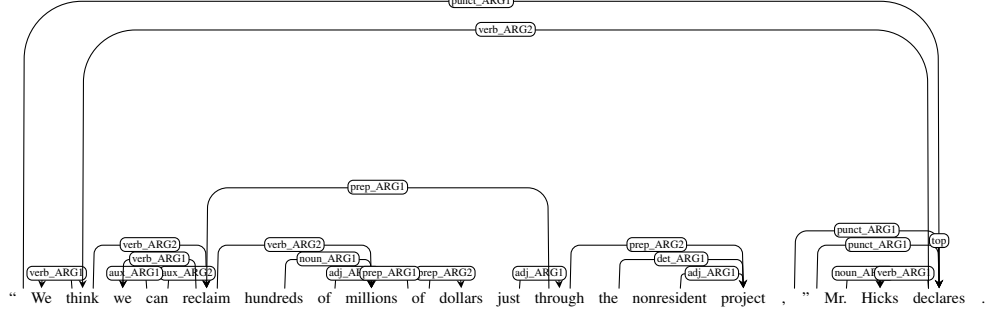
[21570054]



[21570055]



[21570056]



[21570057]

