

# IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

[www.irs.gov/newsroom](http://www.irs.gov/newsroom)

Public Contact: 800.829.1040

## **BDO USA, LLP to Pay IRS a \$34.4 Million Penalty for Violating Tax Laws**

IR-2012-61, June 13, 2012

WASHINGTON — The Internal Revenue Service today announced that it has reached a settlement with the accounting firm of BDO USA, LLP (formerly BDO Seidman LLP, hereafter "BDO"). Under the settlement, BDO will pay a civil penalty to the IRS of slightly more than \$34.4 million stemming from its violation of the tax law concerning the registration of tax shelters. BDO did not register various tax shelters as required by law, some of which were abusive and fraudulent, in an effort to conceal the tax shelters from the IRS and assist high-income taxpayers evade federal income taxes.

This penalty is part of a \$50 million payment that BDO has agreed to pay the United States in connection with the filing of an Information charging the firm with one count of engaging in a tax fraud conspiracy from approximately 1997 to 2003, and a deferred prosecution agreement with the United States for the criminal charge if specific conditions are met.

In addition to the civil penalty payment, BDO has agreed to cooperate with the IRS in civil matters, including IRS audits and litigations relating to its tax shelter products, and to work with the IRS to ensure that it is in compliance with federal tax laws involving tax shelters.

"Today's enforcement action is another reminder that taxpayers can't hide behind complicated schemes or corporate tax shelters," said IRS Commissioner Doug Shulman. "The IRS is strongly committed to stopping illegal tax shelters."

The IRS is pleased with BDO's commitment to cooperate with the IRS in civil matters involving tax shelters and to ensure that it fully complies with the federal tax laws involving tax shelters.

The settlement and payment resulted from the following determinations:

- Between 1997 and 2003, BDO violated federal tax laws concerning the registration, and maintenance and turning over to the IRS of tax shelter investor lists, involving abusive and fraudulent tax shelters.
- Primarily through a group within the firm known as The Tax Solutions Group, BDO developed, marketed, sold and implemented fraudulent tax shelter products

to high net worth individuals, who had, or expected to have, reportable income or gains in excess of \$5 million.

- These fraudulent tax shelters, although designed to appear to the Internal Revenue Service to be investments, were, in fact, a series of pre-planned steps that assisted BDO's high net worth clients to evade individual income taxes of approximately \$1.3 billion.
- The fraudulent tax shelters were sometimes known under the following names: SOS, Short Sale, BEST, BEDS, Spread Options, Currency Option Investment Strategy or "COINS," Digital Options, G-1 Global Fund, FC Derivatives, Distressed Asset Debt, POPS, OPIS, Roth IRA, and OID Bond.

BDO USA, LLP has consented to issuance of this news release in accordance with disclosure laws under section 6103 of the Internal Revenue Code.