

# IRS Fact Sheet

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## The Medical Profession and Tax Schemes

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Scam artists and scheme promoters often prey on busy professionals who don't have a lot of time to focus on their finances. As a result, the IRS has seen an increase in tax fraud in the professional community, including individuals in the healthcare/medical profession.

Tax fraud investigations are the main component of IRS Criminal Investigation's effort to foster compliance with the tax laws. During the current fiscal year alone, 18 persons in the medical community have been convicted as a result of cases investigated by IRS and recommended to the Department of Justice for prosecution. These cases vary from failure to file personal income tax returns and Medicare/Medicaid fraud to money laundering.

The statistical data below show that over a three-year period, Fiscal Years 2000, 2001 and 2002, 182 investigations were initiated involving professionals in the healthcare community. For the first half of Fiscal Year 2003, the IRS has already initiated 43 investigations of healthcare professionals involving tax and financial-related crimes.

### Medical Profession Statistical Information\*

	FY 00-02	FY 2003 (10/01 - 3/31)
Initiations	182	43
Prosecution Recommendations	108	15
Indictment/Information Filed	96	8
Convictions	113	18
Incarceration Rate**	79%	76.5%
Average Months To Serve	15	10

**\*How to Interpret Data.** Complex financial investigations may take several years to complete. As a result, a CI investigation may be initiated in one year, recommended for prosecution the next year, and convicted/acquitted in yet another year. Therefore, the data shown in cases initiated does not represent the same universe of cases shown in other actions within a given fiscal year.

\*\*Incarceration may include prison time, halfway house, home confinement, or a combination thereof.

## Case Summaries

The following case summaries are excerpts from public record documents on file in the court in the judicial district in which the cases were prosecuted.

- **Doctor of Osteopathy Sentenced.** On Feb. 12, 2003, Dr. Wilbert Streeter was sentenced to 21 months in prison after pleading guilty on Jan. 25, 2002 to money laundering. Streeter admitted that he participated in a scheme to defraud insurance companies from approximately January 1990 through August 1996. Streeter operated the Highland Medical Center in Highland, Indiana. Streeter specialized in the treatment of terminally ill cancer patients. The treatment most often prescribed for his cancer patients involved the use of drugs that were not approved by the FDA for the treatment of cancer. Streeter admitted he knew that the patients' insurance companies would not pay for this type of therapy, therefore, he participated in the scheme to defraud those companies by billing the insurance companies for services, such as chemotherapy, that the patients never actually received. Streeter admitted to participating in the laundering of over \$1.5 million through the fraudulent billing scheme.
- **Medicare and Medicaid Fraud Coupled With Failure to File.** On Jan. 29, 2003 in Pittsburgh, Pennsylvania, Mark D. Shipley was sentenced to 15 months in prison for failing to file tax returns for the 1997 year and for defrauding Medicare and Medicaid. Shipley was the owner of Medical Ambulance Service located in Perryopolis, Pennsylvania and Carmichaels, Pennsylvania. Shipley submitted medical claims to and was paid by Medicare and Medicaid for ambulance transportation services which were medically unnecessary and, therefore, not compensable. Furthermore, Shipley was not entitled to receive any payments from Medicare or Medicaid due to a prior conviction on Dec. 27, 1988 for Medicaid fraud. That conviction resulted in both programs excluding Shipley from billing them. To circumvent the exclusion, Shipley used straw parties to pretend they owned his ambulance companies. Shipley also failed to pay taxes on the monies he illegally collected from both Medicare and Medicaid in 1998 by not filing a return that year.
- **Chiropractor and Wife Sentenced for Tax Charges.** A Wisconsin chiropractor, Gregory R. Daniels, and his wife, Susan V. Daniels, were sentenced on Dec. 12, 2002 to 15 months in prison for tax evasion for failing to report over \$260,000 in income on their personal income tax returns for 1993 and 1994. The Daniels were also ordered to serve three years supervised release following their release from prison and pay \$13,014 for the costs of prosecution. According to court records, Gregory Daniels is the sole-proprietor of Daniels Chiropractor clinic in West Allis, Wisconsin. During 1993 and 1994, Susan Daniels worked as a receptionist and performed various office duties in her husband's clinic. During a jury trial, it was shown that the Daniels had unreported taxable income of \$260,892 for 1993 and 1994. By understating their income for those years, they attempted to evade \$74,849 of personal income taxes.
- **Nevada Doctor Sentenced.** On Nov. 1, 2002, Elliott Schmerler, a resident of Incline Village, Nevada was sentenced to 15 months in prison and a \$15,000 fine for his guilty plea to tax evasion in 1995. According to court records, from 1994

through 1998, Schmerler used his medical practice, Lakeview Medical Associates, and a Bahamian corporation he controlled, to pay more than \$500,000 in personal expenses, which he did not report as income on his returns. As a result, more than \$156,000 in individual income taxes was not paid. In addition, during 1997 and 1998, Schmerler failed to pay more than \$26,000 in federal employment taxes, consisting of income, social security and Medicare taxes withheld from employees' salaries and related employer payroll and unemployment taxes.

- **San Diego Doctor Sentenced.** On Oct. 25, 2002 in San Diego, California, Dr. Rick Shacket was sentenced to 33 months in prison for conspiring to defraud the IRS. Shacket participated in a tax fraud conspiracy with this former attorney, Russell D. Ward, from February 1994 through January 1999, resulting in a criminal tax loss of over \$370,000. Shacket and his former attorney created a sham corporation in Oregon called King Medical and created a false identity for Shacket. Shacket used King Medical and his false identity to receive and hide from the IRS diverted corporate funds from Shacket's medical practice. Shacket diverted over \$540,000 in corporate funds for his own use. As part of his plea, Shacket has paid the government \$370,000 in back taxes.

To report suspected tax fraud call 1-800-829-0433.

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