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IRS Agent Fails to Pay Own Taxes

With the April 15 deadline having just passed, almost everyone is still all too conscious of tax matters, in particular tax returns. As such, the following story would appear doubly ironic and a case of ‘Physician, heal thyself’.

Since 2001, Andrea Fabiana Orellana has worked as an IRS Revenue Officer whose duties included ‘collecting delinquent taxes, surveying unreported taxes and securing delinquent returns’ as stated in her job description. She should have added her own name to her list of delinquent taxpayers because Orellana herself was found to have unreported incomes from almost 2,000 transactions at the online auction site, Ebay.

It was discovered that Orellana failed to disclose \$41,842 in Ebay income in 2004 and 2005 arising from her sales of designer clothes, shoes and other personal items. As a result of this, Orellana has to pay \$12,428 in unpaid taxes and \$2,486 in penalties. Her case has been filed in the US Tax Court. According to the Tax Court papers, Orellana sold items under various names including ‘BlackTheRipper’.

When the IRS pressed her for official receipts and proof of costs, Orellana facetiously claimed that she never kept receipts. “That would be ridiculous, unheard of. Unless there was some really bizarre reason why I kept a receipt, there were no receipts,” court documents quoted her as saying. The Tax Court found her attitude towards her own tax returns ‘cavalier’.

Orellana, who resided in California at the time, claimed in court documents that she liked to shop for designer wear and whenever she needed to create some space for new purchases, she would sell off her used clothes and accessories. She further elaborated that she never perceived her activities on Ebay as a business but rather were akin to an online garage sale which she held intermittently in order to clean out her closets.

Orellana could not be reached for comment.

When contacted, Ebay reiterated its policy that all sellers are responsible for paying their own federal and state taxes on their earnings. The online auctioneer declined to comment on Orellana’s case specifically. Likewise the IRS has also made no comments on this matter. A report on the Tax Court ruling was carried in TaxProf Blog.

According to IRS Commissioner Doug Shulman, the government agency collected tax returns from 144.1 million individuals last year. However, Shulman went on to disclose to Congress that about \$290 billion in taxes was not collected due to various reasons.

Orellana's case in the Tax Court is *Orellana v. Commissioner*, T.C. Summ. Op. 2010- 51, U.S. Tax Court (Apr. 20, 2010).

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.