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In the Tax World

Newark Man Guilty of Cheating IRS

A man from Newark, Daniel D. Weddington pleaded guilty Friday to filing false income tax returns and cheating the IRS of \$3.23 million in clients' tax revenues. Weddington was charged with two counts of aiding and assisting in the filing of false income tax returns and one count of obstructing and impeding the due administration of the IRS. His crime carries a maximum jail sentence of 9 years and a potential \$205,000 fine according to the US Attorney's Office.

Weddington's license to prepare and file federal income tax returns for clients has been revoked.

Weddington is a CPA and part-owner of Mid-Con Petroleum Co. Inc. of Health, a position he held between 1983 and September 2010 and created a 'note program' that allowed people to invest into new natural gas wells. One man paid \$16,000 on a \$111,000 investment into two oil wells. The balance of \$95,000, which Weddington told the man would never have to be paid, was financed by a demand note signed by the man. Subsequently when Weddington filed the man's taxes, he claimed deductions on the \$111,000, according to a statement of facts.

This scenario was typical of all Weddington's clients and went on from 2004 through 2006. All in all, Weddington had fraudulently deprived the IRS of about \$3.23 million in tax revenues from his clients, as his actions led to tax savings and refunds for them.

To dupe investors into believing there were tangible returns on their investments, Weddington drew up false reports stating that the wells were producing gas and generating income. He told investors, Mid-Con business partners and his own colleagues that this practice was legal but the IRS challenged its legitimacy and the legality of the demand notes in audits.

The date of sentencing has not been fixed.

IRS Governs Tax Preparers

In a thorough effort to govern the activities of tax preparers, the IRS has enforced a rule that makes it compulsory for any paid tax preparer to register for a Preparers Tax Identification Number (PTIN). To-date, more than 700,000 tax preparers have registered and obtained their PTINs, which are renewable annually. The preparers are to display their PTINs with each tax return or tax refund they submit.

The IRS still registers about 2,000 tax preparers every week. These tax preparers are to pay an annual fee of \$64.25 in order to be licensed to prepare taxes for clients.

Other steps that will be taken by the IRS to regulate the tax preparation

industry include setting competency tests for tax preparers, conducting background checks on certain preparers and implementing annual 15-hour continuous education classes.