



April 14, 2008

PUYALLUP CHIROPRACTOR SENTENCED TO TEN MONTHS INCARCERATION FOR FAILING TO FILE FEDERAL INCOME TAX RETURNS

KEVIN LYNN TERRY, 45, a chiropractor in Puyallup, Washington, was sentenced today in U.S. District Court in Tacoma to three months in prison and seven months in a halfway house. U.S. District Judge Benjamin H. Settle also ordered TERRY to file all delinquent tax returns and to pay all remaining taxes due. In November 2007, TERRY pleaded guilty to a three count Information charging him with willfully failing to file tax returns for the calendar years 1999 through 2001.

For the tax years 1996 and 1997, Terry used trusts to conceal his chiropractic income and personal assets, including his home. Those two years were audited by the IRS and the trusts were found to be shams. TERRY later agreed to the IRS' tax assessments for those years.

Beginning in 1998, TERRY changed tactics and began to willfully evade the IRS' ability to assess and collect tax for the years 1999 through 2001. This included not filing individual Form 1040 returns. TERRY also formed a corporation in 1998, named Puyallup Chiropractic Clinic, Inc., with himself as president, for which he did not file Corporate 1120 tax returns. TERRY prepared and filed IRS Forms 940 and 941 returns reporting employee earnings, which falsely omitted funds paid to himself. TERRY sent correspondence to third parties, including banks, directing them to not comply with IRS summonses for the production of records. TERRY also prepared and submitted to the IRS a false "sight draft" purporting to be a check paying his back taxes and provided tax protestor literature to his employees. During the subject years of 1999 through 2001 Terry evaded tax of about \$70,000. Before criminal charges were brought he filed tax returns for the subject years and paid the taxes due.

At sentencing today U.S. District Court Judge Settle said, "the term tax protestor is merely a polite way of saying tax cheater." The judge stated further that "it's not enough to just pay when you are caught. If being caught results only in having to pay the tax, our system would collapse."

Kenneth J. Hines, the IRS Special Agent in Charge of the Pacific Northwest said, "during the last three years, over 800 non-filers have learned a hard lesson that cheating the American public can lead to their prosecution."

The case was investigated by the Internal Revenue Service - Criminal Investigation (IRS-CI) and was prosecuted by Assistant United States Attorney Kurt P. Hermanns.

For additional information please contact Emily Langlie, Public Affairs Officer for the United States Attorney's Office, at (206) 553-4110.

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