Obligation to Report Tax-Related Misconduct

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Moderator: Frank Agostino, Esq., Principal,
Agostino & Associates, P.C.

Panelists: Daniel Fannin, Internal Revenue Service,
Criminal Investigation Division

Marilea W. Lewis, Esq., Duffee + Eitzen LLP

Sheridan v. Sheridan, 247 N.J. Super. 552 (1990)

- During a divorce proceeding, it came to light that the parties were funding their lifestyle through undeclared income.
- Court held that it could not equitably divide the illicit or illegal funds.
- Additionally, the Court held that it had an obligation to report the wrongdoing to the appropriate authorities.

What statutes inform the duty to disclose noncompliance?

18 USC § 4 - Misprision of Felony

Misprision of Felony

Whoever, having knowledge of the actual commission of a felony cognizable by a court of the United States, conceals and does not as soon as possible make know the same to some judge or other person in civil or military authority under the United States, shall be fined under this title or imprisoned not more than three years, or both.

Misprision of Felony (cont.)

- Violations of the misprision of felony statute, however, are rarely prosecuted.
- A mere failure to report the felony to the IRS is insufficient for a criminal charge and conviction. *U.S. v. Johnson*, 546 F.2d 1225, 1227 (5th Cir. 1977).

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