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Busted For Bad Tax Advice

SANTA ANA, Calif., April 16, 2002



(Photo: AP / CBS)

(CBS) An anti-tax activist who allegedly once boasted she had never paid income taxes was arrested Monday on charges of promoting bogus tax shelters and encouraging the filing of phony returns.

Six others also were charged in the alleged fraud scheme.

The arrest of Lynne Meredith, who headed up the anti-tax group We The People, came nearly a decade after she first began publicly lobbying against income taxes.

In a federal indictment, Meredith was accused of encouraging people to open bank accounts with phony taxpayer identification numbers, filing fraudulent tax returns and encouraging tax payers not to file returns.

The indictment also alleges Meredith, 52, earned more than \$6.2 million between 1994 and 1999 but didn't file a federal income tax return.

Meredith has written two books and given hundreds of seminars instructing people how to "legally stop paying taxes." Her books advise readers to file tax returns that accurately report income but request a refund of all taxes paid, or create tax shelter trusts to protect income and assets from taxes.

Authorities say Meredith sold the trusts through her company, "Sovereignty Pure Trusts."

Her books are "Vultures in Eagle's Clothing: Lawfully Breaking Free From Ignorance Related Slavery" and "How to Cook a Vulture!" - both manuals on ways to avoid taxes and tax-related situations, such as withholding of taxes by employers.

The Internal Revenue Service said Meredith's actions caused taxpayers to file fraudulent returns, some of which sought as much as \$21,000 in refunds. None of the refunds were paid, records show.

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"Meredith misled numerous people into believing that the tax shelters she was selling would legally keep them from having to pay income taxes. Instead, many of these people now find themselves owing back taxes, penalties and interest," said Michael S. Kochmanski of the Los Angeles office of IRS criminal investigations.

The others charged with one count of conspiracy and 11 counts of mail fraud were trust salespersons the government says were employed by Meredith.

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