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POTOMAC ATTORNEY PLEADS GUILTY TO TAX CHARGES

Greenbelt, Maryland – George Nelson Smith, age 52, of Potomac, Maryland pleaded guilty today to filing a false tax return and failing to file a tax return.

The guilty plea was announced by United States Attorney for the District of Maryland Rod J. Rosenstein and Special Agent in Charge Thomas J. Kelly of the Internal Revenue Service - Criminal Investigation, Washington, D.C. Field Office.

“No matter how you disguise your income, one still has to pay taxes on it,” said Thomas J. Kelly, Special Agent in Charge, IRS Criminal Investigation, Washington DC Field Office. “As an attorney, Mr. Smith is well educated regarding his federal income tax obligations, making his actions even more egregious. Today’s plea should be a warning to others that IRS Criminal Investigation is focused on those that intentionally underreport taxable income, no matter how or what entity they may attempt to hide behind.”

According to his plea agreement, Smith is an attorney and owner of the Smith Law Firm, which specialized in litigating tort actions. Smith did not pay himself a salary, and used business funds for personal expenses. For example, on his individual tax return for 2005, which he filed on December 16, 2007, Smith stated that his income was \$18,972.41, even though he knew that he used money from the law firm’s corporate account to pay for personal expenditures that were not accounted for as income on his tax return. These personal expenditures included over \$4,100 to a homeowners’ association for his personal residence; over \$83,000 in mortgage payments on his personal residence; and over \$15,000 to a private school for his children’s education.

Smith failed to file a tax return for 2007, even though he took at least \$668,000 from the law firm for personal expenses, including the purchase of a home in Potomac.

Smith will be required to pay restitution of \$91,547, the total loss caused by his conduct.

Smith faces a maximum sentence of three years in prison for filing a false tax return and one year in prison for failing to file a tax return. U.S. District Judge Alexander Williams, Jr. has scheduled sentencing for January 28, 2014.

United States Attorney Rod J. Rosenstein praised the IRS-Criminal Investigation for its work in the investigation and thanked Assistant U.S. Attorney Nicolas A. Mitchell and Special Assistant U.S. Attorney Gregory P. Bailey, of the U.S. Department of Justice, Tax Division, who are prosecuting the case.