

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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: UNITED STATES OF AMERICA :
: :
: - v. - : INFORMATION
: :
: MARY BOONE, : 18 Cr.
: :
: Defendant. :
: :
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COUNT ONE

**(Subscribing to False Partnership Income Tax Return
for Tax Year 2011)**

The United States Attorney charges:

Introduction

1. Pursuant to the Internal Revenue Code and attendant regulations, individual U.S. citizens and residents are generally required to report accurately their income, tax obligations, and, where appropriate, any claim for a refund annually on a United States Individual Income Tax Return, Form 1040 ("Form 1040"), which must be filed with the Internal Revenue Service ("IRS").

2. Pursuant to the Internal Revenue Code and attendant regulations, partnerships are required annually to file partnership tax returns (Forms 1065) with the IRS, but are not required to pay income taxes in their own right. The income or loss from their operation, by law, flows through to the partners, who are required to declare such income or loss on

their personal income tax returns and, when required, pay any personal income taxes owed based upon that partnership income. The precise amount of each partner's distributive share of income or loss from a partnership is reported on an IRS Schedule K-1 ("Partner's Share of Income, Credits, Deductions, etc."), which partnerships are required to provide to each partner and file with the IRS together with the partnership's Form 1065.

The Defendant's Tax Crimes

3. At all times relevant to this Information, MARY BOONE, the defendant, was a citizen of the United States and a resident of, among other places, New York, New York.

4. At all times relevant to this Information, MARY BOONE, the defendant, owned and operated an art gallery (the "Gallery") with two locations in New York, New York. At all times relevant to this Information, BOONE operated the Gallery as a partnership and was the sole individual responsible for the Gallery's finances. In 2011, BOONE held a ninety percent partnership interest in the Gallery.

5. At all times relevant to this Information, MARY BOONE, the defendant, retained a certified public accountant (the "CPA"), with an office in New York, New York, to provide BOONE with bookkeeping and tax preparation services. At all times relevant to this Information, BOONE provided the CPA with handwritten check registers for the Gallery's main operating

account (the "First Business Account") approximately on a monthly basis. On the check registers that BOONE provided to the CPA, BOONE purported to report the Gallery's income and expenses by recording the deposits into, and debits from, the First Business Account. Each debit-related check stub that BOONE provided to the CPA specified the category of tax-deductible business expense, such as "commission," "rent," or "cartage."

6. At all times relevant to this Information, apart from the check registers for the First Business Account, MARY BOONE, the defendant, did not provide the CPA with any other financial records and did not disclose to the CPA the existence of a second business account for the Gallery, which was held at another bank (the "Second Business Account").

7. At all times relevant to this Information, the CPA used the check registers provided by MARY BOONE, the defendant, to prepare monthly general ledgers reflecting the Gallery's income and expenses. The CPA provided the general ledgers approximately on a monthly basis to BOONE for review. In or about the spring of each year, the CPA used the monthly general ledgers for the previous calendar year to prepare the Gallery's partnership income tax return, Form 1065. The Schedule K-1 from the Form 1065, among other things, was in turn used to prepare BOONE's individual income tax return, Form 1040.

8. In or about 2012, the CPA used the general ledgers generated from the check registers that MARY BOONE, the defendant, had provided for the 2011 year to prepare a 2011 Form 1065 for the Gallery and a 2011 Form 1040 for BOONE. Following BOONE's review, at BOONE's direction and with BOONE's express authorization, the CPA electronically filed the 2011 Forms 1065 and 1040 with the IRS. As described below, the 2011 Forms 1065 and 1040 that BOONE caused to be filed with the IRS were materially false in several respects.

9. As described below, MARY BOONE, the defendant, caused the 2011 Form 1065 to report a false business loss of approximately \$52,521, whereas, in actuality, the Gallery made a profit of approximately \$3.7 million in 2011.

10. In 2011, MARY BOONE, the defendant, used the Gallery's funds to pay over approximately \$1.6 million in personal expenses, including, among other things, by issuing business checks totaling approximately \$800,000 for expenses in connection with the remodeling of BOONE's Manhattan apartment, as well as business checks totaling over approximately \$120,000 for rent and other expenses in connection with another Manhattan residence where BOONE lived with BOONE's son while the remodeling of BOONE's apartment was in progress. In order to conceal the personal nature of these and other expenses and avoid paying income tax thereon, BOONE falsely characterized

approximately \$1.6 million in personal expenses as tax-deductible business expenses on the check registers that BOONE provided to the CPA. For example, BOONE falsely characterized a \$500,000 payment issued to BOONE's remodeling contractor as a "commission." Through this conduct, BOONE caused the 2011 Form 1065 to overstate significantly the Gallery's tax-deductible business expenses.

11. In addition to falsely characterizing personal expenses as tax-deductible business expenses, MARY BOONE, the defendant, also caused the 2011 Form 1065 to report a false business loss in other ways. In particular, BOONE artificially inflated the Gallery's stated expenses and, to a lesser degree, the Gallery's stated income in such a way as to create a false business loss. BOONE did so by, among other things, providing check registers to the CPA that falsely characterized transactions such as bank transfers as income or expenses. For example, in 2011, BOONE transferred approximately \$9.5 million from the First Business Account to the Second Business Account. BOONE withheld from the CPA any records or information relating to the Second Business Account, and instead provided the CPA with check registers for the First Business Account that falsely reported these transfers as business expenses, such as commissions to artists, causing the 2011 Form 1065 to significantly overstate the Gallery's expenses.

12. Through the conduct described above, MARY BOONE, the defendant, caused the 2011 Form 1040 to be materially false. In particular, BOONE caused the 2011 Form 1040 to report BOONE's income from the Gallery as limited to a guaranteed payment of approximately \$50,000 and interest income of approximately \$60,000, and to offset that reported income by BOONE's share (approximately 90%) of the Gallery's reported business loss, which, as described above, was false.

Statutory Allegation

13. In or around 2012, in the Southern District of New York and elsewhere, MARY BOONE, the defendant, willfully and knowingly did make and subscribe a United States Return of Partnership Income, Form 1065, for the Gallery for the year 2011, which return contained and was verified by a written declaration that it was made under penalties of perjury, and which return BOONE did not believe to be true and correct as to every material matter, to wit, the Form 1065 significantly understated the Gallery's ordinary business income by, among other things, falsely reporting BOONE's personal expenses as tax-deductible business expenses of the Gallery and otherwise falsely inflating the Gallery's business expenses and income in a way that created a false stated business loss.

(Title 26, United States Code, Section 7206(1).)


COUNT TWO

**(Subscribing to False Individual Income Tax Return
for Tax Year 2011)**

14. The allegations contained in paragraphs 1 through 12 of this Information are repeated and realleged as if fully set forth herein.

15. In or around 2012, in the Southern District of New York and elsewhere, MARY BOONE, the defendant, willfully and knowingly did make and subscribe a United States Individual Income Tax Return, Form 1040, for the year 2011, which return contained and was verified by a written declaration that it was made under penalties of perjury, and which return BOONE did not believe to be true and correct as to every material matter, to wit, the Form 1040 reported BOONE's income from the Gallery as limited to a guaranteed payment of approximately \$50,000 and interest income of approximately \$60,000, and offset that reported income by BOONE's share of the Gallery's reported business loss, which was false.

(Title 26, United States Code, Section 7206(1).)



GEOFFREY S. BERMAN TH
United States Attorney

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

- v. -

MARY BOONE,

Defendant.

INFORMATION

18 Cr.

(26 U.S.C. § 7206(1).)

GEOFFREY S. BERMAN
United States Attorney.
