

## Taxpayer Blames Tax Professional

Gregory Larson was a self-employed lawyer for 2013 & 2014. He also claimed a casualty loss on his 2013 return. He hired a bookkeeping firm to maintain his records. He did not provide receipts to the bookkeeper, just his checking account and descriptions of what the checks were for. Mr. Garcia, a CPA affiliated with the bookkeeping firm, prepared Mr. Larson's return. When the returns were audited, Mr. Garcia refused to assist, so Mr. Larson found other representation. No records for travel, meals, or entertainment expenses were produced for the IRS agent. Some expenses and part of the casualty loss were disallowed and agreed to by both parties.

Mr. Larson argues he is not liable for the substantial understatement penalty assessed under Section 6662(a). His main argument is that he relied on a CPA to prepare his returns using the books maintained by the bookkeeping service. He testified: "Mr. Garcia didn't ask me any questions. I relied a hundred percent on him after I handed him those materials. He didn't ask me any questions."

Tax Court agreed with the IRS imposition of the penalty. In order to meet reasonable cause exception to this penalty for relying "in good faith on the advice of a professional" the taxpayer must be able to show:

- 1) The adviser was a competent professional who had sufficient expertise to justify reliance,
- 2) The taxpayer provided necessary and accurate information to the adviser, and
- 3) The taxpayer actually relied in good faith on the adviser's judgment.

Mr. Larson mentioned that Mr. Garcia had just passed the CPA exam. Further his testimony suggests he did not provide complete information to Mr. Garcia, merely the bookkeeping records. He also provided no evidence of any advice Mr. Garcia gave him regarding the disallowed deductions. Therefore, Mr. Larson did not meet the conditions required for this argument.

Thus Tax Court agreed with IRS imposition of the substantial underpayment penalty.

Gregory S. Larson, TC Memorandum 2018-30. This case can be found by going to [ustaxcourt.gov](http://ustaxcourt.gov), clicking on the Opinions Search tab, then entering Larson in the Case Name Keyword box.

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