

## **BDO Partner Charged with Tax Crimes**

A federal grand jury has returned an indictment charging a BDO Seidman partner with tax charges for attempting to help one of his clients evade income taxes.

Stephen A. Favato, a partner in the accounting firm's Woodbridge, N.J., office, was charged with tax evasion for his work on the federal income taxes of Daniel Funsch and his spouse. Funsch is president of a fragrance manufacturer, Intarome Flavor and Fragrance Corp., headquartered in Norwood, N.J. Favato was also charged with one count of corruptly endeavoring to obstruct and impede the administration of the tax laws and one count of willfully aiding and assisting in the preparation and filing of the client's false 2002 tax return.

According to the indictment, between fall 2001 and April 2005, Favato attempted to obstruct the IRS by, among other conduct, advising the client on how to include false items on the Funches' 2002, 2003 and 2004 joint income tax returns. Additionally, Favato knowingly prepared and signed false joint tax returns for the client for these years, said the Justice Department.

According to the indictment, Favato advised Funsch to significantly reduce the salary payments that he was receiving from the corporation and to instead have this compensation paid to the client's limited liability company, Great Escape Yachts LLC, in the form of purported lease payments for the client's yacht. However, the corporation had not leased the yacht. This recommended course of action enabled the client to fraudulently deduct personal yacht expenses as business expenses.

In addition, the indictment alleges that Favato advised Funsch on how to fraudulently eliminate a portion of the gain on property that the client sold in 2002 and 2004. Finally, the indictment alleges that Favato advised Funsch to report inflated charitable contributions on the client's 2003 tax return.

If convicted, Favato faces up to 11 years in prison and a multimillion-dollar fine. Favato did not immediately respond to a request for comment.