

## 'U Can't Touch This,' MC Hammer says, but IRS begs to differ

The entertainer's case points up need for investors with complex investments to hire knowledgeable tax professionals, experts say

By **Sue Asci**  
September 4, 2009

Many taxpayers believe that they are safe from Internal Revenue Service audits after a certain number of years have passed, but as Stanley Kirk Burrell — better known as Grammy-award-winning rapper MC Hammer — can attest, that isn't always the case.

The entertainer is contesting a bill from the IRS for \$625,000 in back taxes that he claims he paid 13 years ago.

The IRS demand stems from his bankruptcy protection filing in 1996.

"I paid the IRS 100% of their claim," Mr. Burrell said in a statement issued last month.

"In the past year or so, they decided — wrongly — that I owed them additional taxes from 15 years ago. I am contesting this claim through my tax attorneys, and my case is making its way through the IRS appeal process. I hope to be successful."

At the time of the filing, the court ordered that \$7 million be paid to the creditors, said Sam Singer, president of Singer Associates Inc. of San Francisco, the publicist representing Mr. Burrell.

"The IRS was the first creditor in line, and they took out what they said was owed," Mr. Singer said. "Now, 13 years later, they said maybe they miscalculated, and they would like additional back taxes. No fraud is alleged by the IRS."

Usually, there is a three-year statute of limitations for an examination of a tax year, but that can change in cases of bankruptcy or in instances of underreported income.

Once the IRS makes a tax assessment and begins the collection process, the agency has 10 years to collect, said Buz Aaron, vice president and director of tax services at Braver Wealth Management LLC, which has \$360 million in assets under management.

“That 10-year collection period is suspended while the taxpayer is in bankruptcy,” he said. “Once the taxpayer is out of bankruptcy, that period resumes, and the IRS can collect up to the remainder of the 10-year period.”

There is a six-year statute of limitation for cases where a taxpayer underreports his or her income by more than 25%, said Ken Vacovec, partner in Vacovec Mayotte & Singer LLP, which specializes in tax law.

In cases of tax fraud, there is no statute of limitations, he said.

The best way to avoid an IRS audit is to use a competent tax preparer, Mr. Vacovec said.

“As long as you have kept good business records, you should have a tax return that is accurate,” he said.

“But if a client has foreign activities, unusual or multistate transactions, or complicated partnerships, they may want to find a professional who is more sophisticated.”

Indeed, a lot of new clients are approaching the firm with questions about foreign transactions, he said.

“A lot of investments are now being managed through funds of funds and limited partnerships,” said Rick Gulman, partner in the accounting firm DiCicco Gulman & Co. LLP.

“The investors receive pretty complicated tax income information forms, which include capital gains, international gains, etc.”

Those with numerous investments may want to seek out a tax adviser, he said.

“In addition, to advice on tax issues, they are also able to represent the client if they go before the IRS,” Mr. Gulman said.

