

[Click to Print](#)[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Justice gets wrong statute, pays \$100M price

- Binding plea agreement with tax evading entrepreneur listed the wrong statute
- He allegedly sent paintings, more than \$47,000 in wine to Virginia to avoid taxes
- After ruling, federal judge urged prosecutors to appeal him
- Walter Anderson will serve seven years in prison

WASHINGTON (AP) – Poorly written Justice Department documents cost the federal government more than \$100 million in what was supposed to have been the crowning moment of the biggest tax prosecution ever.

Walter Anderson, the telecommunications entrepreneur who admitted hiding hundreds of millions of dollars from the IRS and District of Columbia tax collectors, was sentenced Tuesday to nine years in prison and ordered to repay about \$23 million to the city.

But U.S. District Judge Paul Friedman said he couldn't order Anderson to repay the federal government \$100 million to \$175 million because the Justice Department's binding plea agreement with Anderson listed the wrong statute.

Friedman said he could have worked around that problem by ordering Anderson to repay the money as part of his probation. But prosecutors omitted any discussion of probation – a common element of plea deals – from Anderson's paperwork.

"I've come to the conclusion, very reluctantly, that I have no authority to order restitution," Friedman said. "I hope the government will appeal me."

Channing Phillips, a spokesman for the U.S. attorney's office, which prosecuted the case in cooperation with Justice Department headquarters, said the government would bring civil charges against Anderson.

"The IRS still has ample civil remedies available to recoup the money which are, in some respects, more efficient and quicker," Phillips said. "Combined with today's nine-year prison sentence, this was a significant victory for the government."

That will require a new round of litigation in a court that does not wield the threat of more jail time. Prosecutors have said Anderson has money stashed away in accounts around the world, a claim Anderson denied in court.

He appeared humbled but not overly apologetic Tuesday. He took responsibility for his actions but said he never intended to defraud the government.

Anderson told the judge that his millions in unpaid taxes weren't funding an opulent lifestyle. He often used jets but for business or charity, he said, and usually he flew business class, not first class, and sometimes even coach.

"For every time I ate in a nice restaurant, I also grabbed a doughnut or a burger in an airport," he said. "I could have wasted millions. I could have taken a limo everywhere."

Friedman was not persuaded. He sentenced Anderson near the high end of his sentencing range.

"I do think it's important to send a message in a case like this," Friedman said. "It's about as serious as it gets."

Anderson started a long-distance telecommunications business in the 1980s as the industry was being deregulated. When his first company, Mid-Atlantic Telecom, merged with another company in 1992, Anderson formed corporations in the British Virgin Islands to hide the income, prosecutors said.

Authorities said Anderson used other offshore corporations to disguise his ownership in other telecommunications companies that earned more than \$450 million between 1995 and 1999. He allegedly did not file federal income tax returns from 1987 to 1993.

With credit for the two years he has been jailed, he will have to serve seven years in prison and will be eligible for release in less than six years.

Among the taxes allegedly owed to the District of Columbia are use taxes, equivalent to sales taxes, on art, jewelry and wine.

The indictment alleges that Anderson bought a painting by Salvador Dali and several paintings by Rene Magritte, an 18-karat gold bracelet and more than \$47,000 in fine wines, then had them shipped to a Virginia address to avoid Washington taxes.

Copyright 2007 The [Associated Press](#). All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.

Find this article at:

<http://www.cnn.com/2007/LAW/03/27/tax.scofflaw.ap/index.html>