

CR-10-00757-PHX-ROS, May 30, 2012

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

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5	United States of America,)	
6)	
7	Plaintiff,)	
8	vs.)	
9)	CR10-00757-PHX-ROS
10	James R. Parker,)	
11)	
12	Defendant.)	
13)	May 30, 2012
14)	
15)	

BEFORE: THE HONORABLE ROSLYN O. SILVER, CHIEF JUDGE

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Day 2 (Excerpt - Exhibit 33)

Official Court Reporter:
Elaine Cropper, RDR, CRR, CCP
Sandra Day O'Connor U.S. Courthouse, Suite 312
401 West Washington Street, Spc. 35
Phoenix, Arizona 85003-2151
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Proceedings Reported by Stenographic Court Reporter
Transcript Prepared by Computer-Aided Transcription

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A P P E A R A N C E S

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P R O C E E D I N G S

(The following excerpt was transcribed.)

BY MR. SEXTON:

Q. Now, let's turn, if you would, in front of you to Exhibit 33 that discussed the audit.

01:39:19

For 1998, is this the income tax examination changes for the 1998 return?

A. That's correct.

MR. SEXTON: This is a certified record that we would move in at this time.

01:39:38

MR. MINNS: No objection.

THE COURT: It's admitted.

(Exhibit Number 33 was admitted into evidence.)

MR. SEXTON: Let's put page three on the document. Would you highlight sort of the top half of it for me?

01:39:56

Q. This is the income tax examination changes form?

A. Yes.

Q. And this is for James and Jacqueline Parker?

A. Correct.

Q. And it is for what period?

01:40:15

A. The period 1998.

Q. And this is their individual tax form?

A. That's correct.

Q. Now, look at --

MR. SEXTON: Maybe even highlight even more the

01:40:31

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1 Adjustments for Income section to give it even greater -- 01:40:33
2 Q. Now, number -- or letter e, do you see that?
3 A. Yes.
4 Q. What does it indicate as the unreported income for the tax
5 return? 01:40:44
6 A. \$1,708,656.
7 Q. And then starting with letter g down to k, does it
8 indicate expenses that are being authorized for the Schedule C?
9 A. Yes, it does.
10 Q. And what does it indicate are being allowed expenses for 01:41:10
11 the business?
12 A. There's legal, professional expenses of \$2,850; vehicle
13 expenses of \$6,828; utilities of \$10,600; equipment and
14 furniture, \$2,045; and office in the home of \$1,840.
15 Q. Now, pulling back to sort of the midsection of the 01:41:41
16 document, kind of the middle part if you would. Ultimately, on
17 that line two, do you see at the top there line two?
18 A. Yes.
19 Q. It's indicating that the total adjustments to the 1998 tax
20 return is how much? 01:42:02
21 A. \$1,742,771.
22 Q. And then it tells us on line three what the actual taxable
23 income that was reported by the taxpayer on the return. What
24 was that?
25 A. \$8,161. 01:42:22

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1 Q. And, now, what is the corrected taxable income on line 4? 01:42:25
2 A. The corrected amount is \$1,750,932.
3 Q. And on line five, what is the new tax?
4 A. Corrected tax is \$666,973.
5 Q. And to be added to that is line 10a, do you see that? 01:42:46
6 A. Yes.
7 Q. How much more is to be added for self-employment tax?
8 A. \$56,318.
9 Q. Coming to a grand total on line 11 of how much?
10 A. The total corrected tax liability is \$723,291. 01:42:59
11 Q. And then right below that is the tax that was actually
12 shown on the tax return?
13 A. Correct.
14 Q. How much was shown?
15 A. \$7,967. 01:43:12
16 Q. Therefore, the difference is the last number on that page,
17 what is the difference between those two amounts that increased
18 the amount of tax?
19 A. It's \$715,324.
20 Q. And then if you would turn to page four of Exhibit 33. 01:43:36
21 Looking at the last little summary at the bottom there on 19,
22 this is where it summarizes the taxes, penalties, and interest?
23 A. That's correct.
24 Q. The \$715,324 is the number that we just were talking about
25 on the other side? 01:44:02

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1 A. Yes, the tax. 01:44:03

2 Q. And what is the amount of the penalties?

3 A. \$143,064.80.

4 Q. And what's the interest that was calculated on the unpaid
5 balance? 01:44:14

6 A. The interest calculated to October 5, 2002, is
7 \$258,362.19.

8 Q. And those -- and the total amount due for taxes, interest,
9 and penalties for the 1998 return equals what?

10 A. \$1,116,750.99. 01:44:32

11 Q. After that determination -- would you go to Exhibit 35?
12 Is that the certified copy of the notice of deficiency for the
13 1998 return?

14 A. That's correct.

15 MR. SEXTON: I would offer Exhibit 35 into evidence. 01:45:10

16 MR. MINNS: No objection.

17 THE COURT: It's admitted.

18 (Exhibit Number 35 was admitted into evidence.)

19 BY MR. SEXTON:

20 Q. Page three of this notice of deficiency, would you -- 01:45:16
21 okay. You've got it. First off, this is to Mr. and
22 Mrs. Parker?

23 A. That's correct.

24 Q. And to remind the jury, is this something that is sent
25 both of them individually or to them collectively? 01:45:32

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1 A. Sent to each individually, certified. 01:45:35
2 Q. And just below that is the tax year, 1998?
3 A. Correct.
4 Q. And then the deficiency in tax and the penalties are
5 listed just below that? 01:45:49
6 A. Yes.
7 Q. Do those agree with the ones we were just looking at on
8 the previous document?
9 A. They do.
10 Q. And does this document in the second paragraph indicate 01:46:01
11 that they have a right to petition this deficiency to tax
12 court?
13 A. Yes. It explains that to them, yes.
14 Q. So let's go to Exhibit 38.
15 (End of excerpted portion.) 01:46:20
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C E R T I F I C A T E

01:46:20

I, ELAINE M. CROPPER, do hereby certify that I am
duly appointed and qualified to act as Official Court Reporter
for the United States District Court for the District of
Arizona.

01:46:20

I FURTHER CERTIFY that the foregoing pages constitute
a full, true, and accurate transcript of all of that portion of
the proceedings contained herein, had in the above-entitled
cause on the date specified therein, and that said transcript
was prepared under my direction and control, and to the best of
my ability.

01:46:20

DATED at Phoenix, Arizona, this 31st day of May,
2012.

01:46:20

s/Elaine M. Cropper

01:46:20

Elaine M. Cropper, RDR, CRR, CCP