

Former Portland CPA gets 4 years for stealing clients' tax payments, impersonating IRS employee

by Bend_Weekly_News_Sources

Total Loss Exceeds \$1.3 Million

Portland, Ore. — Harry Nels Kylo, 63, of Portland, Oregon, was sentenced Wednesday by U.S. District Court Judge Garr M. King to 51 months imprisonment and 36 months supervised release following his prison sentence. In January of this year, Kylo pled guilty to one count each of Mail Fraud, Tax Evasion, and Impersonation of an IRS Employee. Kylo was a Certified Public Accountant until his license was revoked by the Oregon State Board of Accountancy on September 30, 2003.

At the plea hearing, Kylo admitted that from about 2000 to 2003, he devised a scheme to defraud some of his tax preparation clients, the IRS, and the Oregon Department of Revenue. Kylo instructed his clients to leave the payee line blank on the checks they provided to him to pay their tax liabilities. He then fraudulently endorsed the checks and deposited the proceeds into one of his own bank accounts. Kylo stated in his plea agreement that the stolen money was used to operate his business.

“The fine cooperative efforts of the Portland Police Bureau, the Internal Revenue Service Criminal Investigation, and the Treasury Inspector General for Tax Administration in investigating this matter resulted in a very successful outcome,” stated U.S. Attorney Karin Immergut. “This case effected several victims, including some who were elderly and extremely vulnerable.”

According to court documents, Kylo told his clients that he hand-delivered their tax returns to the IRS in Portland, when in fact, he did not file their returns at all. When the IRS sent notices to Kylo's clients concerning unpaid taxes or delinquent tax returns, he created false letters, purporting to be from the IRS, stating that the problem had been resolved. Kylo then mailed these false letters to his clients, delaying the discovery of his thefts.

Kylo also prepared fraudulent client tax returns by falsely reducing income or inflating their deductions in order to reduce the reported tax liability to zero, and filed these returns with the IRS. This in turn, stopped the IRS from sending notices to his clients.

Kylo billed and collected fees for his services based on false representations to clients that he had properly handled their tax payments. As a result of his scheme, Kylo stole tax payments totaling \$1,322,582 from 36 victims. In turn, the Internal Revenue Service and the Oregon Department of Revenue suffered lost tax revenue because of the thefts.

As a result of Kylo's thefts, some of his victims reported health problems, while others reported the need

to use savings, retirement funds, funds from trusts set aside for others, and second mortgages on property to raise the funds necessary to pay the taxes they still owed after the theft. Individual victim losses ranged from several thousand dollars up to \$390,000.

This case was investigated by the Portland Police Bureau, the Internal Revenue Service ‘‘ Criminal Investigation and the Treasury Inspector General for Tax Administration. It was prosecuted by Assistant United States Attorney Lance Caldwell.

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