

Carl Nicholson's Charges Summarized



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NICHOLSON CONSPIRED TO DEFRAUD, LIED ON TAX RETURNS, AND 'WILLFULLY' HELPED PREPARE FALSE TAX RETURNS

Hattiesburg accountant Carl Nicholson has been charged since July 2018 with 11 tax-related felonies: one count of conspiracy to defraud the United States of America; four counts of making a false statement on an income tax return; and six counts of willfully aiding and assisting in preparing a false tax return.

Court documents filed December 18 in a superseding, or revised, indictment clarify those charges. When Nicholson appears for trial – scheduled for 9 a.m. January 14, 2019 – he will face a charge of conspiracy to defraud the federal government carried out with a local attorney identified in

court documents as J.L., and with five additional counts of willfully helping to prepare a false return for J.L. and for the attorney's company, identified as JLPA.

Nicholson also will respond to charges that he falsified expense and income reports on joint tax returns filed from 2012 – 2015 for (presumably) a Forrest General Hospital employee, who is not identified in the indictment.

Nicholson's trial before Judge Keith Starrett will take place in Courtroom I of the William Colmer Federal Building in Hattiesburg.

COUNT 1, CONSPIRACY TO DEFRAUD THE IRS

Conspiracy to defraud the United States of America is a violation of Section 371 of Title 18 of the United States Code. The indictment alleges that, to carry out their conspiracy, Nicholson and J.L.:

- falsely classified personal expenses paid from law firm funds as business expenses in the books and ledgers of JLPA.
- prepared false individual and corporate income tax returns.
- worked to hide the purpose of the conspiracy and their actions to further it.

Specifically, federal prosecutors allege the following violations of Section 7206(1), Title 26 of the United States Code.

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1. From approximately January 1, 2012, until approximately April 15, 2015, J.L. directed others to classify personal expenses paid from JLPS funds as business expenses in the books and records of the firm.

2. During this same period, Nicholson reviewed and signed JLPA monthly financial reports that he knew falsely classified J. L.'s personal expenses as business expenses.

3. Somewhere around July 10, 2012, Nicholson instructed an employee to falsely classify a \$250,000 payment for a trust as legal fees incurred by JLPA.

4. Nicholson and J.L. prepared false U.S. Corporation Income Tax Returns (Forms 1120) for JLPA for calendar years 2012, 2013 and 2014.

5. Nicholson and J.L. prepared false U.S. Individual Income Tax Returns (Forms 1040) for calendar years 2012, 2013 and 2014.

6. Somewhere around November 3, 2014, Nicholson and J.L. saw to it that check # 5740 in the amount of \$25,000 was falsely classified as an accounting expense of JLPA.

COUNTS 2-5, LYING TO THE IRS

Nicholson faces four counts of making a false statement on a tax return. That's one count for each of the four years (2012 – 2015) he perjured himself by knowingly submitting false work expenses and income on joint returns he apparently filed for a Forrest General Hospital employee who was not identified in court documents. All of the following are violations of Title 26, Section 7206(1) of the United States Code:

1. Count 2 alleges that Nicholson filed a 2012 Form 1040 joint income tax return that claimed other expenses of \$16,664 on Schedule C for the principal business of Forrest General, Part V, and total income of \$417,476 on line 22.

2. Count 3 involves the same charge for a 2013 Form 1040 joint income tax return. This one claimed \$10,332 in other expenses on Schedule C for the principal business of Forrest General, Part V; total expenses of \$16,664 on line 20 of Schedule E; and total income of \$458,651.

3. Count 4 deals with knowingly false statements filed on a

2014 Form 1040 joint income tax return. Nicholson claimed other expenses of \$19,164 on Schedule C for the principal business of Forrest General, Part V; total expenses of \$8,332 on line 20 of Schedule E; and total income of \$520,588.

4. Count 5 alleges perjury on a 2015 Form 1040 joint income tax return for which Nicholson claimed \$25,000 in other expenses on Schedule C for the principal business of Forrest General, Part V, and total income of \$1,854,958 on line 22.

COUNTS 6 – 11, WILFULLY HELPING PREPARE FALSE TAX RETURNS

Federal prosecutors allege the following violations of Section 7206(2), Title 26 of the United States Code:

1. Count 6 alleges that Nicholson willfully assisted and advised in preparing and presenting an untrue joint Form 1040 U.S. Individual Income Tax Return for J.L. and G.L. for the 2012 tax year, knowingly listing a false income of \$1,770,128 on line 22.

2. Count 7 alleges Nicholson committed the same violation for the 2013 tax year, this time knowingly listed a false total income of \$1,990,492 on line 22.

3. Count 8 deals with the 2014 joint Form 1040 Individual Income Tax Return Nicholson prepared for J.L. and G.L., which prosecutors say knowingly listed a false total income of \$1,085,540 on line 22.

4. Count 9 addresses federal charges that Nicholson willfully assisted and advised in preparing a false Form 1120 U.S. Corporation Income Tax Return for JLPA for calendar year 2012 by knowingly reporting untrue total deductions of \$3,185,253 on line 27.

5. Count 10 alleges a repeat of Count 9 for tax year 2013,

with Nicholson helping prepare a false Form 1120 U.S. Corporation Income Tax Return for JLPA by knowingly reporting untrue total deductions of \$2,081,812 on line 27.

6. Count 11 alleges that Nicholson helped prepare a false Form 1120 U.S. Corporation Income Tax Return for JLPA for 2014, knowingly reporting untrue total deductions of \$2,037,622 on line 27.

CONNECTING A FEW DOTS...

Nicholson for many years was recognized as a founding partner of Nicholson & Company CPA, a Hattiesburg-based accounting firm. The firm changed its name to Topp, McWhorter, Harvey a few years ago when Nicholson left the company following his 2015 arrest in Lamar County for public drunk, public profanity and disorderly conduct.

He is a former auditor for the City of Hattiesburg and Forrest County, and at one time served as president of the board of directors of the USM Foundation. Nicholson also served as president of the Board of Trustees of the Mississippi State Institutions of Higher Learning.

He prepared tax returns for Forrest County Deputy Sheriff Charles Bolton and his wife, Linda Bolton, both now in prison for tax fraud. The Boltons filed suit against Nicholson, alleging that he misled them and that they followed his advice in filing their tax returns. They were accused of failing to declare as income checks from local attorney John Lee they had cashed in a five-year period; federal prosecutors alleged that they described the more than \$300,000 they received from Lee as loans in their tax filings.

The indictment against Nicholson refers to an attorney identified only as J.L. However, last February John Lee's guilty plea for evading almost \$300,000 in taxes for calendar years 2012 – 2014 was unsealed.