



# PRESS RELEASE

## Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

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IRS – Criminal Investigation

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### **Kansas Business Owner Convicted on Federal Tax Charges**

A Leawood, Kansas, business owner was convicted today of tax fraud following a month-long jury trial, announced Acting Assistant Attorney General Caroline D. Ciruolo of the Justice Department's Tax Division and U.S. Attorney Barry R. Grissom of the District of Kansas.

The jury found Kathleen Stegman, 58, guilty of four counts of tax evasion relating to her evasion of corporate income taxes for the years 2008 and 2009 and individual income taxes for the years 2007 and 2008. Stegman and her husband, Christopher Smith, 51, were both acquitted on the charge of conspiracy to defraud the United States and Stegman was acquitted on one count of tax evasion.

Stegman owned Midwest Medical Aesthetics Center in Leawood, which provided aesthetic services including microdermabrasion, laser hair removal and anti-aging procedures and products. Smith owned Encompass Construction Group in Independence, Missouri.

"Today's verdict is a reminder to business owners that they cannot use their companies as their personal piggy banks," said Acting Assistant Attorney General Ciruolo. "All taxpayers must file true and accurate returns with the IRS to report their income and expenses. Those that fail to do so face significant consequences, including criminal prosecution, prison and monetary penalties."

According to the evidence at trial, Stegman under-reported her company's gross receipts and overstated her company's expenses on the corporate tax returns filed with the Internal Revenue Service (IRS). Stegman also diverted income from the company for her personal use and failed to report the income on her tax returns. The government also presented evidence that Stegman and Smith agreed to fabricate a repairs and maintenance contract between Smith and Midwest Medical in order to increase the company's business deductions and divert money from the company to their personal use. In December 2010, Stegman wrote a check in the amount of \$50,575 to Encompass Construction, which was drawn on Midwest Medical's bank account. Smith

used the money to buy gold coins that were shipped to Stegman's business address in Leawood. On Midwest Medical's 2010 corporate tax return, Stegman fraudulently deducted this payment as a business expense for repairs and maintenance.

"Today's verdict is an important victory for America's taxpayers who play by the rules and have no tolerance for those who make up their own rules," said Special Agent in Charge Karl Stiften of IRS-Criminal Investigation. "There is no such thing as free money and there are no awards or incentives for creativity when it comes to crime."

Stegman faces a statutory maximum sentence of five years in prison and a \$250,000 fine on each count of tax evasion. A sentencing date has not yet been set.

Acting Assistant Attorney General Ciruolo and U.S. Attorney Grissom thanked special agents of IRS Criminal Investigation, who investigated the case and Trial Attorneys Ryan R. Raybould and John T. Mulcahy from the Tax Division and Assistant U.S. Attorney Jabari B. Wamble of the District of Kansas, who prosecuted the case.

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