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Chamberlain Hrdlicka Protects Mississippi Home Healthcare Provider Against \$250 Million in IRS Sanctions

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On Tuesday, July 11, the U.S. Court of Appeals for the Fifth Circuit in New Orleans issued a landmark opinion against the IRS on the most critical tax issue facing public charities. The Court cleared the Sta-Home health care agencies and the Caracci family who built them of the last \$69 million in IRS intermediate sanctions. Every manager and every board of every charity in the country have had to deal with their exposure to these penalties based on subjective IRS valuations. This case marks the first time the IRS ever tried to impose such sanctions against any exempt organization.

The father of the family had complained to Congress about unrelated IRS conduct. Six months later his company, Sta-Home, and his family were audited. In time, the IRS attacked the conversion of the agencies from exempt to non-exempt status. Based on the same advice the Caraccis received from the leading healthcare lawyers and accountants in Mississippi, almost every other Mississippi home healthcare agency had made the same conversion with no complaint by the IRS.

As a result of the audit and the non-exempt change, the IRS imposed \$250 million in immediate sanctions against the Caraccis' company, asserted an additional \$10 million against the Caraccis in personal income taxes and interest, and retroactively revoked the exempt status of the original charitable organizations. The taxpayers hired David Aughtry, managing partner of Chamberlain Hrdlicka's Atlanta office, to fight the IRS claims.

In 2002, the Tax Court rejected the IRS income tax claims and the IRS attempt to revoke the exempt status. It reduced the intermediate sanctions but the Caraccis and their agencies still faced a \$69 million threat.

In 2003, Aughtry appealed the ruling on behalf of the Sta-Home health care agencies and the Caracci family. On Tuesday the Court of Appeals ruled in favor of the Caraccis and Sta-Home, noting that the IRS was completely unjustified in imposing the sanctions in the first place. The Caraccis and their agencies have been cleared of all sanctions, taxes, and revocations - from \$260 million in IRS claims to zero.

"No one ever deserved vindication more than this wonderful family who have devoted their entire lives to helping those less fortunate," Aughtry said. "Someone owes a heartfelt apology to this family for what they endured."