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U.S. Brings 'Largest Ever Tax Charge' Against Tech Executive

Federal prosecutors said Robert T. Brockman had used a web of entities based in Bermuda and Nevis, as well as secret bank accounts in Bermuda and Switzerland, to hide \$2 billion in income from the I.R.S.

By Michael Levenson

Published Oct. 15, 2020 Updated Jan. 22, 2021

A Houston tech executive was charged on Thursday with hiding \$2 billion in income from the Internal Revenue Service in what federal prosecutors called the largest tax evasion case in U.S. history.

Prosecutors said the executive, Robert T. Brockman, had used a web of entities based in Bermuda and Nevis, as well as secret bank accounts in Bermuda and Switzerland, to hide income from the I.R.S. that he had earned on private equity investments over 20 years.

A 39-count federal indictment handed up by a grand jury in San Francisco detailed a complex scheme involving backdated records and encrypted communications with code names like “King,” “Bonefish” and “Snapper” as well as “the house,” for the I.R.S.

The indictment said that Mr. Brockman, the chief executive of Reynolds and Reynolds, an Ohio company that makes management software for auto dealerships, used \$30 million in income that he had hidden from taxation to buy properties named Mountain Queen and Frying Pan Canyon Ranch in Colorado and had spent an additional \$29 million in unreported income on a yacht named Turmoil.

Mr. Brockman, 79, was charged with multiple counts of tax evasion, failing to file foreign bank account reports, wire fraud affecting a financial institution, evidence tampering, destruction of evidence and other crimes. He pleaded not guilty on Thursday in an appearance via Zoom in federal court in the Northern District of California.

“The allegation of a \$2 billion tax fraud is the largest ever tax charge against an individual in the United States,” David L. Anderson, the U.S. attorney in San Francisco, said at a news conference.

James Lee, the chief of criminal investigations at the I.R.S., said the charges “disgusted me.”

“These allegations should disgust every American taxpayer, as well, because the law applies to all of us when it comes to tax and paying our fair share,” he said.

Kathryn Keneally, a lawyer for Mr. Brockman, said, "We look forward to defending him against these charges."

A spokeswoman for Reynolds and Reynolds said the charges "focus on activities Robert Brockman engaged in outside of his professional responsibilities" with the company. Reynolds and Reynolds "is not alleged to have engaged in any wrongdoing, and we are confident in the integrity and strength of our business," the spokeswoman said.

Federal prosecutors said Mr. Brockman's goal was to conceal from the I.R.S. capital gains income that he had earned as a result of his investments in funds managed by Vista Equity Partners, whose billionaire chief executive, Robert F. Smith, has agreed to cooperate with the federal authorities.

Mr. Smith, who has been called the richest Black man in America, drew national attention last year when he was giving the commencement address at Morehouse College and made a surprise announcement that he would pay off the student loans of the roughly 400 graduates.

Federal prosecutors said Mr. Smith had signed an agreement acknowledging his involvement in a 15-year scheme to hide more than \$200 million in income and evade millions in taxes by using an offshore trust structure and offshore bank accounts.

Under the agreement, the Department of Justice said it would not prosecute Mr. Smith if he paid more than \$139 million in taxes and penalties, abandoned \$182 million in charitable deduction claims and cooperated with ongoing investigations.

Morehouse College confirmed on Friday that Mr. Smith had made good on his pledge last year, when he donated \$34 million to pay off the student loans of the graduates of the class of 2019 as well as the student loan debt of their parents and guardians.

Mark E. Matthews, a lawyer for Mr. Smith, declined to comment on Thursday.

Mr. Anderson said the agreement showed that "it is never too late to do the right thing."

"Although Smith willfully and knowingly violated the law, Smith has accepted responsibility and agreed to provide complete and truthful cooperation," he said.

Federal prosecutors said that Mr. Smith used his unreported income to buy and make improvements to real estate used for his personal benefit.

They said he had used income hidden from taxation to buy and renovate a \$2.5 million vacation home in Sonoma, Calif.; to buy two ski properties and a piece of commercial property in France; and to build and make improvements to a home in Colorado that was used charitably for disadvantaged children and wounded veterans.