

Judge: Dallas' Billionaire Wyly Brothers Committed Tax Fraud

A federal bankruptcy judge in Dallas ruled late Tuesday that Dallas entrepreneurs Sam and Charles Wyly committed tax fraud when they created a series of offshore trusts in the Isle of Man in the 1990s to shield more than \$1 billion for the family tax-free, according to a report in *The Dallas Morning News*.

There is "clear and convincing evidence" that the "heart of the Wyly offshore system had been established through deceptive and fraudulent actions," wrote U.S. Bankruptcy Judge Barbara Houser.

"The IRS claims that the Wylys, who made billions of dollars growing and then selling Michaels Stores and Bonanza steakhouses, set up the series of offshore trusts in the Isle of Man in order to hide income from being taxed, while still using the money in the trusts to fund a lavish lifestyle," the report says.

Under the ruling, Sam Wyly, the surviving brother, could be required to pay the IRS as much as \$1.4 billion in back taxes and penalties.

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