News And Press Releases

FOR IMMEDIATE RELEASE September 18, 2013

H. Ty Warner Charged With Tax Evasion for Allegedly Hiding Funds in Secret Offshore Account With Swiss Bank UBS

CHICAGO — The creator of Beanie Babies and other plush animal toys was charged today with federal tax evasion for allegedly failing to report income he earned in a secret offshore financial account he held with UBS, a global financial services firm headquartered in Switzerland. The defendant, H. TY WARNER, was charged in a felony information filed this morning in U.S. District Court.

Warner, 69, of west suburban Oak Brook, is the sole owner of TY Inc., a Westmont-based company that designs and sells plush toy animals including Beanie Babies. Warner, who also owns other business interests, will be arraigned in U.S. District Court on a date yet to be determined.

Through his attorney, Warner authorized the government to disclose that he is cooperating with the Internal Revenue Service and will plead guilty to the charge.

“Regardless of wealth, everyone must pay taxes on all of their income, not just the amount they choose to report. The charge alleges that Warner went to great lengths to hide from his accountants and the IRS more than $3.1 million in foreign income generated in a secret Swiss account. Such conduct invites federal prosecution,” said Gary S. Shapiro, United States Attorney for the Northern District of Illinois.

“We encourage taxpayers to think of the serious consequences, including possible criminal penalties, for willfully presenting false information on their federal tax returns. All taxpayers must honor their obligation to report all of their income and pay all of the taxes they owe,” said James C. Lee, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division in Chicago.

Warner is the second taxpayer charged in Federal Court in Chicago in connection with an ongoing investigation of U.S. taxpayer clients of Union Bank of Switzerland (UBS) and other overseas banks that hid foreign accounts from the Internal Revenue Service. In February 2009, UBS entered into a deferred prosecution agreement with the United States, admitting that it helped taxpayers hide accounts from the IRS. As part of the agreement, UBS provided the government with the identities of, and account information for, certain customers of UBS’ U.S. cross-border banking business.

According to the charging document, Warner maintained a secret offshore account with UBS starting in 1996. In late 2002, Warner transferred the assets in his UBS account to a second Swiss financial institution, Zürcher Kantonalbank, when the account had a balance of approximately $93,630,083.

In 2002, Warner earned approximately $3,161,788 in gross income through investments held in his UBS account, according to the charge. Warner allegedly committed tax evasion for that year by failing to tell his accountants about that income and by failing to report that income or the existence of the UBS account in his 2002 form 1040 filed with the IRS in October 2003, as well as failing to report that same income on an amended 2002 form 1040 filed in November 2007. The charge states Warner initially failed to pay $1,257,064 in income tax on the unreported income, but his amended 2002 return reduced the amount of additional tax that he failed to pay to $885,300. By omitting his UBS income, Warner falsely reported his total income in 2002 was $49,124,095, according to the charge.

Tax evasion carries a maximum penalty of five years in prison and a $250,000 fine. In addition, a defendant convicted of tax offenses faces mandatory costs of prosecution and remains civilly liable to the government for any and all back taxes, as well as a potential civil fraud penalty of up to 75 percent of the underpayment plus interest. Federal tax law requires U.S. taxpayers pay taxes on all income earned worldwide. Taxpayers must also report foreign financial accounts if the total value of the accounts exceeds $10,000 at any time during the calendar year. A deliberate failure to file a Report of Foreign Bank and Financial Accounts (FBAR) with the IRS can result in a civil penalty of up to 50 percent of the amount in the account at the time of the violation. If convicted, the Court must determine a reasonable sentence to be imposed under federal statutes and the advisory United States Sentencing Guidelines.

The government is being represented by Assistant U.S. Attorney James Conway.

The public is reminded that the information contains only a charge and is not evidence of guilt. The defendant is presumed innocent and is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

Contact: Randall Samborn, Assistant US Attorney, Public Information Officer
Direct: (312) 353-5318, **Cell**: (312) 613-6700

Return to Top

NORTHERN DISTRICT of ILLINOIS
219 S. Dearborn Street, Fifth Floor - Chicago, IL 60604

HOME
ABOUT
The US Attorney
En Espanol
NEWS
Press Releases
Hot Topics
PROGRAMS
PSC
ATAC
LECC
PSN
VWA
CONTACT US

JUSTICE.GOV/USAO
Accessibility
FOIA
Privacy Policy
Legal Policies & Disclaimers
Justice.gov
USA.gov