**Will Beanie Baby Founder Do the Time for His Tax Crime?**

Posted by Ken Berry on Jan 8 2014

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*By Ken Berry, Correspondent*

If the IRS gets its way, H. Ty Warner, creator of the Beanie Baby toy franchise, won’t be enjoying plush surroundings the next five years, he’ll be spending the time in prison for tax evasion. But [the billionaire is pleading for leniency](http://www.sfgate.com/business/article/Beanie-Baby-billionaire-tax-evader-wants-probation-5109577.php) when he is sentenced on January 14.

His attorneys argue that Warner should be treated no differently than other taxpayers granted amnesty for hiding funds in offshore accounts and point to other mitigating factors. “This case concerns an isolated event in Ty’s otherwise law-abiding life, during which he has paid approximately $1 billion in taxes,” court papers stated. “There is no reason to believe prison time is necessary to prevent him from engaging in tax evasion again.”

But the federal prosecutors in this case say that Warner willfully evaded taxes when he could have easily tapped into his vast fortune to pay the approximately $5.5 million in taxes that he evaded. “He instead made a conscious effort year after year, for more than a decade, to file false tax returns underreporting his income,” they said.

[Warner’s filing details](http://www.bloomberg.com/news/2014-01-02/beanie-baby-billionaire-seeks-to-avoid-prison-for-tax-evasion.html) his rags-to-riches history. He claims to be a “self-made American success story” despite growing up in a dysfunctional family. After dropping out of college and working various jobs –- including busboy, bellman, valet car parker, fruit market vendor and door-to-door encyclopedia salesman -– he became a top seller for Dakin Toy Co. Eventually, he founded his own toy company, creating the Beanie Baby, a plush toy filled with plastic pellets. By the mid-1990s, the company had turned into a multibillion-dollar operation. Each Beanie Baby became a valued collectible.

Despite his success and enormous wealth, Warner’s attorneys portray him as “relative novice” in financial matters who was generous to a fault. He reportedly gave away $140 million in cash and toys after 1995 to organizations such as the Children’s Hunger Fund and the Princess Diana Memorial Fund.

Warner admitted to opening an account at UBS in 1996 and transferring $93.6 million in 2002 to Zuercher Kantonalbank, a small Swiss bank. He submitted a false return in 2002 while omitting his UBS income of $3.2 million and failing to file the required Report of Foreign Bank and Financial Accounts (FBAR). After amending his 2002 return in 2007, he still understated his tax liability by $885,300. Warner also acknowledged underreporting his gross income by $24.4 million from 1999 through 2007.

Now the Beanie Baby founder has agreed to pay an FBAR penalty of $53.6 million and back taxes and interest totaling at least $16 million. He also faces a prison stay of 46 to 57 months.

When Warner applied for a voluntary disclosure program in 2009, the IRS rejected his application. His attorneys argue that he should be treated no differently than comparable tax offenders and his charitable deeds should weigh in his favor. They are requesting probation or house arrest in lieu of a prison sentence.

[Beanie Baby billionaire tax evader wants probation](http://www.sfgate.com/business/article/Beanie-Baby-billionaire-tax-evader-wants-probation-5109577.php) [SFGate]
[Beanie Baby Billionaire Seeks to Avoid Jail for Tax Crime](http://www.bloomberg.com/news/2014-01-02/beanie-baby-billionaire-seeks-to-avoid-prison-for-tax-evasion.html) [Bloomberg]

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