

Inventor wins big judgment against California tax board

By **Stephanie Tavares** / STAFF WRITER

No one loves the tax man.

This is especially true if the tax man is in another state and accusing you of fraud, repeatedly invades your privacy, tries to take millions of your hard-earned dollars and ruins your retirement by dragging out your in-house appeal for more than a decade.

That's what Las Vegas inventor Gil Hyatt told a Nevada jury the California Franchise Tax Board did to him — resulting in one of the largest judgments in U.S. history.

A Nevada jury recently found that the tax board targeted Hyatt solely because of his wealth, ignored evidence proving his innocence and embarked on a scheme of harassment so lengthy and severe as to warrant a \$388 million award.

Hyatt is still in the process of protesting the findings of the tax board audits — completed in 1997 and 1998 — which he claims led to the harassment.

One of Hyatt's lawyers, Mark Hutchison of Hutchison & Steffen, said the decision reinforces Nevada's image as a safe haven for honest businesspeople.

"It's like the shot heard around the world," Hutchison said. "The taxing authorities should hear loud and clear that they have to be fair when they audit people. If they're not, a jury can hold them accountable ... This says if you move here honestly and are abused by a taxing authority, Nevada's courts will protect you."

Tax board spokeswoman Denise Azimi declined a request for an interview, but confirmed the board was planning to appeal.

Hyatt, an inventor with more than 70 U.S. patents, was targeted by the tax board beginning in 1992 after an auditor read a news story that mentioned the money he had made from inventing and patenting a microprocessor in California in 1990.

Hyatt had moved to Nevada in September 1991, rented an apartment, got a Nevada driver's license and registered to vote while he shopped for a home.

He subsequently made millions of dollars from licensing agreements related to the microprocessor patent.

The California tax authorities contend that while he did all those things, he remained a resident of California until April 1992. They charged him with fraud and are seeking millions of dollars in back taxes and more than a decade in interest penalties.

Hyatt could have put the case behind him years ago had he given in when the audits were completed. But his lawyer says it's a matter of principle — he refused to live out his golden years with a reputation as a tax cheat.

When Hyatt protested the audit to the tax board, he expected it to take the typical two to three years.

Eleven years later his appeal is still pending. Meanwhile, the tax board frequently reminds the now 70-year-old inventor of the mounting interest penalties — at least \$8,000 a day — his home and trash bins have been searched repeatedly and he has been frequently under surveillance.

Even if he were guilty of the allegations, the yearslong harassment would still be illegal, Hutchison said.

"The issue was the conduct, not the tax case," he said. "You can't abuse or harass people regardless of whether they moved when they said they did or not."

But most people facing an audit can't afford to fight back.

Instead of giving in to a feelings of helplessness, Hyatt was compelled to fight. He has spent a decade of his golden years and millions of dollars on legal and court fees in his civil case against the tax board.

The case has resulted in the filing of more than 100 briefs, at least 50 hearings, two trips to the Nevada Supreme Court and one to the U.S. Supreme Court. The jury trial alone took four months.

"You don't see these lawsuits very often because they take a tremendous amount of resources and the client has to be able to pay those bills," he said.

"The franchise tax board accused him of being a fraud and tax cheat, and he was determined to clear his name. And he was determined to make sure the abusive and harassing conduct came to light and he did what he could to deter that in the future. He became consumed with doing both of those things and was willing to put 15 years of his life and millions of his wealth into that effort," he said.

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