Kostelanetz LLP

Caroline Rule

Partner

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Biography

Caroline Rule is a tenacious advocate for her clients, many of whom face white collar criminal investigations and prosecutions, or civil tax audits and investigations. During her over 30 years in practice, Caroline has successfully championed both individual and corporate clients, defeating allegations of fraud so as to preserve their reputations and, in the case of individuals, their careers.

Caroline's winning record includes cases involving alleged tax fraud, tax evasion, failure to file tax returns and related tax forms, money laundering, and other white collar controversies. Caroline has achieved outstanding results for individuals and corporations under criminal investigation by the IRS and other governmental and regulatory agencies, as well as by state and federal prosecutors' offices in New York and around the country.

Caroline's successful practice also focuses on complex civil tax matters, including sensitive audits by the IRS and state tax authorities, as well as civil cases involving "tax shelters," failure to report offshore assets, abatement of penalties, and residency issues. Caroline has extensive experience in advising accounting firms on how to comply with confidentiality rules protecting disclosure of client tax return information, under Section 7216 of the Internal Revenue Code and associated Treasury Regulations and IRS authorities, the Gramm Leach Bliley Act, and the AICPA Rules of Conduct, particularly as firms begin to outsource return preparation offshore. Caroline also represents clients in investigations by the New York City Business Integrity Commission and is experienced in handling complex commercial litigation.

Caroline has published many articles in legal journals and magazines, and was author of the BNA Tax Management Portfolio No. 623 – 3rd "IRS Procedures: Examinations and Appeals" (July 2013).

Caroline works to clarify application of tax laws through her chairmanship of the Subcommittee on Tax Crimes, Criminal Litigation Committee, ABA Litigation Section. She also is a Fellow of the Litigation Counsel of America; and is an active member of the New York Council of Defense Lawyers, the Criminal Advocacy Committee and the Mass Incarceration Task Force of the New York City Bar Association, and the Federal Bar Council Special Committee on Sentencing Reform and Alternatives to Incarceration. She is also a Master of the Federal Bar Council Inn of Court.

Education

- University of Cape Town, South Africa, B.F.A. (1981), With Honors
- San Francisco Art Institute, M.F.A. (1984), Cum Laude
- Yale Law School, J.D. (1989), Senior Editor, Yale Law Journal

Bar Admissions

- New Jersey, 1989
- New York, 1990
- U.S.D.C., S.D.N.Y., 1990
- U.S.D.C., E.D.N.Y., 1998
- U.S. Tax Court, 1998
- U.S. Court of Appeals (2d Cir.), 2007
- U.S. Court of Appeals (3d Cir.), 1990
- U.S. Court of Appeals (4th Cir.), 2013
- U.S. Court of Appeals (9th Cir.), 2019
- U.S. Supreme Court, 2014

Awards & Recognition

- Best Lawyers — Litigation and Controversy – Tax in New York
- Super Lawyers — Criminal Defense: White-Collar in New York
- Caroline Rule has been recognized by "New York Super Lawyers" since 2011.

Before Joining Kostelanetz LLP

- Associate at Rabinowitz, Boudin, Standard, Krinsky & Lieberman, PC
- Served as court-appointed counsel for indigent criminal defendants at the Office of the Appellate Defender for a two-year term.
- Associate at Cahill Gordon & Reindel, LLP
- Law Clerk to the Honorable John J. Gibbons, Chief Judge, United States Court of Appeals for the Third Circuit

Representative Matters

- Persuaded federal prosecutors to charge a doctor with one count of making a false statement to the IRS, when he had evaded $4 million in taxes over several years; and then persuaded the Court to sentence the doctor to probation and community service even though the advisory sentence under the United States Sentencing Guidelines was 36 months in jail.
- Obtained non-jail sentences for many other clients when the United States Sentencing Guidelines called for substantial periods of incarceration.
- Helped numerous clients to avoid criminal prosecution and/or crippling monetary penalties by making voluntary disclosures to the IRS of foreign bank accounts and undeclared income earned by those accounts, as well as voluntary disclosures to the IRS of domestic tax violations.
- Advised clients such as accounting firms about how to navigate the complicated IRS regulations governing what and how client information must be kept confidential in order to avoid civil and even criminal penalties under Section 7216 of the Internal Revenue Code.
- Represented the former head of KPMG's tax practice in what was then termed the largest tax fraud prosecution in United States history, and obtained dismissal of the entire indictment on grounds of prosecutorial misconduct.
- Persuaded the Criminal Investigation function of the IRS that a client who failed to collect and pay over employment taxes for many years did not act willfully, and that the matter should be transferred back to the IRS Civil Division.
- Quashed a prosecution for tax evasion by demonstrating that the government's calculations of the client's gambling earnings were based on faulty mathematics.
- Quashed a prosecution of business owners who regularly, over a period of years, allegedly structured bank deposits and withdrawals to avoid banks filing currency transaction reports.
- Persuaded the IRS that an elderly client with memory loss should not pay any penalty at all in connection with a voluntary disclosure of a foreign bank account.
- Successfully argued that the IRS should not seek to prosecute two separate clients who failed for years to declare foreign bank accounts, records of which the government obtained from third parties, after both clients lied to IRS agents about their accounts.

Publications

- "Federal Tax Prosecutions Before and After Department of Justice Tax Division Is Eliminated," October 6, 2025
- "Considerations for Tax Return Preparers Outsourcing Overseas," August 30, 2025
- "The Supreme Court Will Determine Constitutionality Of The Mandatory Repatriation Tax," September 25, 2023
- "Tax Implications of Dobbs for Interstate Travel Expenses to Obtain Abortions," July 18, 2022
- "Penalties – The IRS's New Practice Of Assessing Late-Filing Penalties On Timely Filed Substitute Forms 3520-A," July 2, 2021
- "The IRS Ramps Up Cryptocurrency Enforcement," July 2, 2021
- "Playing Catch With A Hand-Grenade: How To Deal With An Unreported Foreign Bank Account In A Divorce," April 13, 2021
- "How To Delegate Payroll, Employee-Related Tax Filings, And Associated Employer Duties To A Professional Employer Organization," March 23, 2021
- "An Update On Civil FBAR Penalties: Decisions Since June 2019 Citing Williams And Mcbride In Discussing The Willful Civil FBAR Penalty," September 30, 2020
- "The Government's New Stance That The Non-Willful Civil FBAR Penalty Applies To Every Account On An Untimely-Filed FBAR, Rather Than To The Single Untimely FBAR Form," July 2, 2020
- "Caroline Rule Article On U.S. v Greenfield Selected For Inclusion In The March/April Magazine Of The ABA General Practice Division," April 1, 2020
- "A Long Overdue Check On Prosecutorial Power In Tax Cases," March 27, 2020
- "Federal Criminal Tax Charges And DOJ Tax Division Conference Requests," December 15, 2019
- "GETTING TAXPAYERS' CONSENT TO DISCLOSE OR USE TAX RETURN INFORMATION UNDER IRC SECTION 7216," December 2, 2019
- "THE CONFIDENTIALITY OF A CLIENT'S TAX RETURN INFORMATION: PROVISIONS TAX PREPARERS MUST REMEMBER," October 23, 2019
- "MARITAL PRIVILEGES," August 14, 2019
- "The People Of The State Of New York Vs. M. Robert Neulander – Brief For Amicus Curiae In Support Of Defendant-respondent," March 25, 2019
- "Be Aware Of 26 U.S.C. § 7216: You May, To Your Surprise, Be A Tax Return Preparer," November 15, 2018
- "United States V. Greenfield: A Triumph Of The Fifth Amendment's Act Of Production Privilege; Or Confirmation That The Privilege Can Be Entirely Abrogated By Any Act Of Congress, Or Even By A Treasury Regulation?," March 12, 2018
- "IRS Form 3520, Penalties, And Whether To Make A Protective Filing," December 20, 2017
- "Statutory Maximum/Minimum Sentences And Application Of Offense Levels," November 28, 2017
- "How Not To Waive Privilege When Consulting Non-attorney Experts Or Professionals," December 2, 2016
- "Applying Civil Penalties For Willful Violations Of FBAR Requirements," October 16, 2016