Kostelanetz LLP

Karen Kelly

Partner

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Biography

The former head of the Justice Department's Tax Division, Karen Kelly, joined Kostelanetz after more than 30 years of federal and state trial practice, including prosecuting tax and white-collar crime. Her practice at Kostelanetz focuses on representing clients in state and federal civil tax controversies, defending clients in government investigations, including in criminal tax and white-collar matters, and against state and federal criminal charges. Her practice includes conducting internal investigations, representing legal and tax professionals and their firms in license and regulatory matters, and complex civil and criminal litigation.

Karen most recently served at the Department of Justice as the Acting Assistant Attorney General and delegated component head of the Tax Division. In that capacity, she supervised all federal civil and criminal tax matters assigned to the Justice Department throughout the country, and more than 300 trial and appellate attorneys.

Karen is first and foremost a litigator. During her career as a federal prosecutor, she led and managed hundreds of sophisticated grand jury investigations and criminal tax jury trials in federal district courts throughout the United States, for crimes including tax evasion, conspiracy, payroll tax fraud, obstruction, money laundering, FBAR violations, false claims, nominee entities, identity theft, false tax filings, and complex tax shelters. She also assisted with the Department's Swiss Bank Program and resolved complex offshore entity investigations.

As Assistant Chief in the Tax Division's Northern Criminal Enforcement Section and Chief of the Southern Criminal Enforcement Section, Karen worked with federal prosecutors in more than 40 U.S. Attorneys' Offices and coordinated and managed the Tax Division criminal portfolio. She also worked closely with IRS revenue agents, revenue officers, special agents, and other personnel and built a strong relationship with IRS Criminal Investigation. She was a Special Assistant U.S. Attorney in the Southern District of New York, where she handled white collar prosecutions, and a Special Assistant U.S. Attorney in the Southern District of California, where she prosecuted immigration and narcotic crimes.

Karen received numerous commendations acknowledging her extraordinary government service. Twice, she was honored as the recipient of the Department of Justice Attorney General Award, among the highest service awards issued by the Department. She earned the Attorney General's Distinguished Service Award for her contributions as a member of a public corruption task force. She received the IRS Criminal Investigation Chief's Award for her successful prosecution of a telecommunications entrepreneur who evaded more than $200 million in taxes, which was the largest individual income tax evasion at the time. She also received the Department of Justice Executive Office Director's Award for Superior Performance in Litigation. Throughout her career, she has been the recipient of more than a dozen Tax Division Outstanding Attorney awards and was honored with the Outstanding Mentor Award from the Department.

Karen has been a frequent lecturer at U.S. Attorneys' Offices on tax crimes, grand jury investigations, trial practice, and prosecutions. As part of her government service, she trained dozens of attorneys, law enforcement agents, and IRS personnel in the United States and overseas, including as a regular presenter at the Justice Department's training center in South Carolina and at IRS Field Offices. Karen also provided training to organizations outside the United States. She worked with IRS Criminal Investigators to present U.S. criminal tax law and procedure to Serbian law enforcement and prosecutors, and with the IRS and Treasury to train professionals at the Barbados Revenue Authority. She is regularly a speaker on tax enforcement issues, appearing at ABA-sponsored conferences and other tax bar events.

Karen currently serves as a member of the Virginia State Bar Attorney Disciplinary Committee, where she reviews attorney disciplinary complaints and investigations and conducts disciplinary hearings. She served on the Disciplinary Committee Board from 2013 through 2018.

Before beginning her career at the Tax Division, Karen prosecuted state crime as an Assistant Commonwealth's Attorney in Fairfax County, Virginia.

Karen received her law degree, cum laude, from Syracuse University College of Law and her bachelor's from the College of the Holy Cross.

Education

- Syracuse University College of Law, J.D. (cum laude)
- College of the Holy Cross, B.A.

Government Experience

Tax Division, U.S. Department of Justice, Washington, D.C.

- Delegated Component Head and Acting Deputy Assistant Attorney General (2025)
- Chief, Southern Criminal Enforcement (2019-2025)
- Assistant Chief, Northern Criminal Enforcement (2008-2019)
- Trial Attorney, Northern Criminal Enforcement (1997-2008)

Fairfax County Virginia, Assistant Commonwealth's Attorney (1994-1997)

Bar Admissions

- Virginia State Bar

Awards & Recognition

- The Attorney General's Award for Outstanding Service
- The Attorney General's Distinguished Service Award, 2011
- U.S. Department of Justice, Executive Office, Director's Award, 2009
- IRS Criminal Investigation, Chief's Award, 2007
- Tax Division Outstanding Attorney Awards: 2000, 2002, 2005 through 2018
- Department of Justice Outstanding Mentor Award, 2010
- United States Attorney's Office, District of Columbia, Outstanding Merit, 2003