

IRS Tax Scams & Fraud Alerts

The following information was extracted from the IRS's web site. AccountingMalpractice.com believes that the practitioner will benefit from reading this latest news.



Significant Cases

The following case summaries are excerpts from public record documents on file in the court records in the judicial district in which the cases were prosecuted.

Tax Preparer Sentenced to 78 Months in Prison

On March 20, 2002, in Greenville, NC, Charles James Payton was sentenced to 78 months in prison followed by 3 years supervised release. In addition, Payton was ordered to pay a special assessment of \$800 and restitution to the IRS in the amount of \$87,073. The total tax loss attributable to Payton and his partner, Ollie Maye, was determined to be \$528,885. Charles Payton was convicted on October 12, 2001, of seven counts of willfully aiding and assisting in the preparation of false income tax returns and one count of conspiracy.

Testimony presented during trial showed that Payton operated a tax return preparation business from his office in the Lang's Crossroads Food Mart. Evidence showed Payton was preparing amended federal income tax returns that generated additional refunds. These amended tax returns included false claims for additional medical expenses, charitable contributions, and employee job expenses. Payton was paid either directly or through his company, Solid Rock Enterprises, a percentage of the refund amounts, usually 10%, as a fee for the preparation of the amended tax returns. Payton assured his clients that he knew the tax laws, because he had been an employee of the Internal Revenue Service. Payton admitted in court, however, that the IRS had never employed him.

Ollie Maye III, was hired by Payton to assist in preparing amended tax returns. Maye testified that Payton instructed him to prepare the amended tax returns by inflating itemized deductions through a calculation based upon the client's adjusted gross income. He added that he and Payton prepared these amended returns without concern for the actual expense amounts paid by the taxpayers. Maye pled guilty on May 15, 2001, to one count of aiding and assisting in the preparation of false income tax returns. On November 14, 2001, Maye was sentenced to 18 months in prison followed by one year supervised release and ordered to pay a special assessment of \$100 and restitution in the amount of \$87,073.

Prisoner Filed False Tax Returns

On March 20, 2002, in Greenville, NC, Walter Randolph Williams, III, was sentenced to 34 months in prison followed by one year supervised release and ordered to pay restitution to the IRS in the amount of \$22,117.79. On December 17, 2001, Williams pled guilty to aiding and abetting in the preparation of false federal tax returns. While serving a prison sentence on filing false North Carolina state tax returns, Williams prepared approximately 20 false federal income tax returns on behalf of fellow prison inmates.

Fraudulent Returns Resulted in \$77,000 in False Claims

On January 28, 2002, in Detroit, Michigan, McMaine Allen Ogeorgia, a tax return preparer doing business as Mao Professional Services, was sentenced to 21 months in prison and one year supervised release. In February 2001, Ogeorgia pled guilty to preparing a false federal income tax return where he inflated the deductible amounts of medical bills and charitable contributions in excess of what was actually paid. Also included on the return were fictitious amounts for real estate taxes, mortgage interest payments, and unreimbursed employee expenses. According to court documents, he knowingly prepared at least 65 false federal income tax returns, resulting in approximately \$77,000 in false claims.

Return Preparer Sentenced for Filing False Returns and Perjury

On January 25, 2002, in New Haven, CT, William N. Jackson, doing business as The Tax Center, was sentenced to 42 months in prison, followed by 11 years supervised release to be served concurrently. On May 25, 2001, Jackson was convicted on 11 counts of aiding and assisting in the preparation of false federal income tax returns. The judge also found Jackson had perjured himself when testifying at trial. While imposing sentence, Judge Alvin W. Thompson stated that he was "struck by the pattern of deception" concerning Jackson's trial testimony.

Doing business as The Tax Center, Jackson created fictitious businesses with fraudulent business expenses to offset reported income for his clients. Jackson also inflated legitimate expenses including gifts to charity and for some clients he reported names of dependents that were not known to his clients.

Unscrupulous Return Preparer Gets 30 Months in Prison; Clients Must Pay Back to IRS Over-Claimed Refunds, Plus Penalties and Interest

On January 23, 2002, in Oklahoma City, Oklahoma, Elcanyo C. Robertson was sentenced to 30 months in prison, one year supervised release, and fined \$5,000. Robertson was indicted in July 2001 on 13 counts of aiding and assisting in the preparation of false and fraudulent returns. In September 2001, Robertson pled guilty to one count and admitted he prepared returns claiming business losses or exemptions to which the taxpayers were not actually eligible to claim. The falsely claimed losses and exemptions discovered

during the investigation resulted in a net loss to the treasury of \$209,933. Individual taxpayers involved are paying back the amounts over-refunded, as well as penalties and interest.

Tax Return Preparer Falsified Itemized Deductions

On January 4, 2002, in Houston, TX, Charles Morgan was sentenced to 18 months in prison, one year supervised release, fined \$1,000 and ordered to pay a special assessment of \$1,500. Morgan pled guilty on October 18, 2001, to 15 counts of filing false returns. Morgan admitted he used false and/or inflated, non-deductible commuting expenses and other false Schedule A and Form 2106 deductions to generate large refunds for his clients. Morgan also admitted to putting false deductions on 88 tax returns resulting in a tax loss to the government of over \$310,000.

Father and Son Tax Return Preparers Guilty of \$35 Million in Inflated and Fictitious Deductions and Losses Claimed; Father Sentenced to 9 Years in Prison

On October 16, 2001, in New York, New York, Bruce Rosenberger was sentenced to 9 years in prison and ordered to pay to the IRS all back taxes, together with interest and penalties. John Rosenberger, Bruce's son, was scheduled to be sentenced on November 28, 2001; his sentencing has been postponed with no set date.

On July 5, 2001, in New York, New York, Bruce Rosenberger and his son, John Rosenberger, pled guilty to charges relating to their preparation of individual and partnership income tax returns for their clients that contained more than \$35 million of inflated and fictitious deductions and losses. The Rosenbergers also pled guilty to personal tax evasion for the 1994-1997 tax years, based on their failure to report more than \$1 million in client fee income.

Bruce and John Rosenberger admitted to conspiring with others to prepare false partnership and personal income tax returns for clients of their tax preparation business, R&R Associates. According to Court records, 18 taxpayer clients of the Rosenbergers have previously pled guilty to a variety of tax-related charges based on false income tax returns signed by the clients and prepared by the Rosenbergers.

Self-Employed Tax Preparer Sentenced

On September 4, 2001, in Brooklyn, NY, Jose Raul Diaz was sentenced to 18 months in prison followed by 3 years supervised release. In addition, Diaz was ordered to pay restitution of \$120,000 and a special assessment of \$100. Diaz pled guilty in September 2000 to filing false and fraudulent federal tax returns. According to the press release, Diaz provided tax services to low-income clients, many of whom were immigrants with poor English language skills and little familiarity with the tax system. Diaz falsely increased his clients' tax refund checks through a variety of fraudulent means, including claiming non-existent children as dependents, altering the client's taxpayer status, and claiming fraudulent child care expenses.

In many cases, Diaz forged the clients' signatures on tax returns or had clients sign blank tax returns, so that the clients were unaware of the false information. Diaz also listed his own address as the taxpayer's address, so that the refund check would be delivered to him. He would cash the checks himself, often stealing all or a portion of the fraudulent refund.

Spring Valley New York Tax Preparer Sentenced

On July 13, 2001, Raymond Dubuche a tax preparer in Spring Valley, New York, was sentenced to 51 months in prison followed by 12 months supervised release. In addition, Dubuche was ordered to pay a \$50,000 fine.

Dubuche was convicted on October 17, 2000, of 43 counts of aiding and assisting the filing of false tax returns, with each count relating to a false tax return that Dubuche prepared for one of his clients. He was also convicted of two counts of signing and filing false returns for himself.

According to testimony at trial, Dubuche operated a tax preparation business called Dubuche Tax Service. During the years 1993-95, Dubuche prepared between 700 and 915 tax returns per year. Evidence at trial showed that 99% of the tax returns prepared by Dubuche were "refund returns", that is, returns that sought refunds on behalf of the clients.

According to the testimony at trial, Dubuche placed hundreds of thousands of dollars of false itemized deductions on the tax returns of his clients, most of whom were Haitian immigrants who had little or no knowledge of how to prepare their own returns. Those false deductions, which were placed on the client tax returns largely without the clients' knowledge, related to the clients' state and local income taxes, charitable contributions, unreimbursed job expenses, and child care credits. In addition, Dubuche signed and filed with the IRS two tax returns for himself in which he falsely inflated the amount of his state and local taxes that he paid.

Rockwood Tax Preparer Sentenced To 41 Months.

Virgil E. Young was sentenced on September 5, 2001, in Knoxville, TN, to 41 months in prison for aiding and assisting in the preparation of fraudulent federal income tax returns for various individuals and impeding the administration of tax laws that cost the government approximately \$650,000. Following his prison term, Young will serve one year of supervised release and has been ordered not to prepare any tax returns for other individuals during that period.

According to testimony during the trial, Young prepared returns for individuals for tax years 1993 through 1996 claiming false deductions for IRA contributions, business expenses, charitable contributions, and unreimbursed employee business expenses. The jury convicted Young on the charge of impeding the IRS based upon trial testimony that

Young prepared and submitted documents during IRS audits that he knew were false and fraudulent to try and support the false deductions.

Tax Return Preparer Pled Guilty to Causing \$2 Million Tax Loss

On June 22, 2001, in Las Vegas, Nevada, Marlene Marcus pled guilty to one count of conspiring to impede and impair the Internal Revenue Service by preparing and filing materially false federal income tax returns, in violation of Title 18, United States Code Section 371.

According to the plea agreement and Information filed May 31, 2001, Marcus assisted in a conspiracy, which involved approximately 670 false tax returns prepared for clients from 1995 through 1997. These returns included false itemized deductions such as charitable contributions and unreimbursed employee business expenses, which caused the corresponding taxable incomes to be understated. Some of the fraudulent returns also included improper filing status and falsely claimed Earned Income Tax Credits, which resulted in false claims for refunds. According to the plea agreement, these actions caused a tax loss to the government of \$2 million. Marcus and other co-conspirators conducted the scheme under various business names including Postal Express Plus, Computerized Tax Service, and Palmer's Tax Service. In March 1997, IRS Criminal Investigation special agents executed a federal search warrant at the tax preparation office from where the conspiracy was being operated.

As part of the scheme, co-conspirators furnished clients who were audited by the IRS with false receipts purporting to show that contributions had been made to charities and non-profit entities, including the "World Church of Truth and Freedom" and "A Helping Hand Thrift Store Inc." Some of these phony receipts were subsequently presented to IRS auditors.

Violation of Title 18, United States Code Section 371 carries penalties ranging up to five years imprisonment and fines as much as \$250,000, or both, in addition to costs of imprisonment. Marcus was scheduled to be sentenced on October 5, 2001; however, the judge has postponed her sentencing to a later day to be determined.

Unregistered California Tax Preparer Sentenced

On April 20, 2001, Winston P. Halal, an unregistered tax preparer, was sentenced to 15 months in prison and 12 months supervised release for subscribing to a false tax return of his own and aiding in the preparation of false tax returns for others. In addition, the judge ordered Halal to pay restitution. Halal pled guilty on September 15, 2000, to one count each of Title 26, United States Code, Sections 7206(1) and (2).

According to the two count information filed with the court and his plea agreement with the government, Halal admitted to preparing false tax returns for 27 clients for the years

1992 through 1996, and to omitting substantial amounts of income that he earned as a tax preparer on his own tax returns for 1994 through 1996. The tax loss that was documented by the criminal investigation was \$112,409.

District Woman Operated Illegal Tax Preparation Business Which Understated 159 Customers' Taxes By More Than \$550,000

On May 7, 2001, Paulette Jefferies was sentenced to two years in prison for preparing a fraudulent federal income tax return. Jefferies, of Washington, DC, pled guilty on January 16, 2001, to one felony count of preparing a fraudulent federal income tax return, based upon an illegal tax preparation business she operated between 1994 and 1998.

According to the charging document and the summary of the evidence presented to the Court by the government, between 1994 and 1998, Jefferies operated an illegal tax preparation business out of her home in the District of Columbia. Jefferies persuaded her customers that she could obtain lawful deductions unavailable from other tax preparers. Jefferies thereby obtained illegal refunds for her customers worth several thousands of dollars. Typically, she would list two illegal deductions on her customers' tax returns: (1) claims for medical and dental expenses having no relation to what the taxpayer actually spent on medical and dental services, but listed in an amount equal to about 40 percent of the taxpayer's gross income; and (2) claims for charitable contributions having no relation to what the taxpayer actually gave to charities, but listed as at least several hundred dollars, and often totaling several thousand dollars. As set forth in the plea agreement, Jefferies admitted to preparing 159 such illegal tax returns, on which, taken together, the dollar amount of the understated taxes totaled more than \$550,000. Many of Jefferies's customers were subsequently audited by the IRS, and had to pay back either the taxes that they still owed, or the illegal refunds that they received, plus interest and penalties.

For the specific felony charge that was the subject of the guilty plea, Jefferies admitted to having prepared a 1996 tax return for a married couple on which Jefferies had listed an illegal medical expenses deduction of \$32,214 and an illegal charitable deduction of \$5,054, which resulted in a net loss to the government of \$7,437.

Winnemucca Tax Return Preparer Sentenced

On May 1, 2001, Thomas Bidegary, from Paradise Valley, Nevada, was sentenced to 33 months imprisonment for his role in preparing false income tax returns for clients in violation of Title 26, 7206(2), and other tax-related crimes. Bidegary, was convicted of 18 counts of this charge by a jury on November 17, 2000. Bidegary was also convicted of one count of making and subscribing to his own false income tax return for 1994, in violation of Title 26, USC 7206(1), and one count of conversion of government funds, in violation of Title 18 USC 641.

In addition to jail time, Bidegary was sentenced to 36 months supervised release to be served immediately upon completion of his incarceration. He was also ordered not to

prepare tax returns while on supervised release and ordered to pay \$11,378.62 for costs of prosecution and to pay \$2,155.00 in restitution.

Bidegary worked at Winnemucca Tax and Bookkeeping Service and prepared the fraudulent income tax returns from 1993 to 1997. These returns included false charitable deductions, mortgage expenses, vehicle expenses, and other itemized deductions. Bidegary also assisted in preparing tax returns which falsely claimed "head of household" filing status, dependents or qualifying children, and false earned income credits.

Former IRS Employee Found Guilty of Filing False Returns

On April 23, 2001, Louisville, KY, Bruce G. Peck, a former IRS employee and a return preparer, was sentenced to 97 months imprisonment. Peck was found guilty of 60 counts of filing false income tax returns and 20 counts of aiding and assisting the filing of false and fraudulent federal income tax returns.

Peck filed false tax returns using the names and social security numbers of minor children of his clients and others, including his own children and grandchildren. These false returns claimed fraudulent refunds totaling over \$560,000. Peck also prepared false income tax returns that frequently claimed bogus losses in shell companies in order to reduce his clients tax liability. The fraudulent losses claimed on these returns totaled approximately \$1.4 million. Peck profited in the scheme by charging his clients over \$250,000 in "fees". Peck had clients in Kentucky, Indiana, Missouri, and Minnesota.

Overland Park, Kansas Man Pled Guilty to Submitting a False Claim to the IRS

On July 17, 2000, Alfred B. Reece pled guilty to one count of submitting to a false claim to the IRS. Reece prepared and submitted for himself a false claim to the IRS for an income tax refund of \$4,936 for calendar year 1996 based upon a fraudulent W-2. The IRS reviewed approximately 633 U.S. Individual Income Tax Returns (1040s) or Amended U.S. Individual Income Tax Returns (1040X) prepared by Reece for other individuals from 1992 through 1998. During this review, the IRS found approximately \$2,931,321 in false income tax refund claims resulting from fraudulently claimed medical and dental expenses, charitable contributions, state and local income taxes, personal property taxes, casualty or theft losses, and gambling losses for expenses that these individuals had not incurred. In addition to no documentation to support the expenses, the individuals had not instructed Reece to include them on their tax returns. On October 30, 2000, Reece was sentenced to 60 months imprisonment.

Los Angeles Tax Preparer Sentenced to Prison

A tax preparer who pleaded guilty to knowingly filing fraudulent returns on behalf of his clients has been sentenced to 21 months imprisonment and ordered to pay \$443,589 in restitution to the Internal Revenue Service.

Juan Jose Barrera, 49, was sentenced October 2, 2000, in United States District Court. Barrera, a certified tax preparer since 1991 and the owner of Barrera Professional Services on Beverly Boulevard, Los Angeles since 1993, prepared false federal income tax returns from 1994 to 1997, according to his plea agreement with the government. The tax returns were false because Barrera fabricated Schedules C (Profit or Loss from A Sole Proprietorship) and fictitious dependents to fraudulently claim Earned Income Credits on behalf of his clients.

In addition to the returns prepared for his clients, Barrera also prepared additional false income tax returns in his clients' names without the clients' knowledge and retained the fraudulently obtained tax refunds for himself. In 1996 alone, he submitted false federal tax returns that claimed a total of approximately \$443,589.

Department of Justice
Press Releases on Civil and Criminal Actions
Against Promoters of Schemes, Scams and Cons.

(This page is not all inclusive. For all [Department of Justice Press Releases](#) link to their web site on the Internet.)

Updated 07/01/02

Release Date	Release Number	Title of Release
06/28/02	02-382	Justice Department Files Lawsuit in Tax Fraud Scheme
06/14/02	02-355	Chicago Federal Court Blocks Nationwide Fraudulent Tax Scheme
06/11/02	02-352	Federal Court in Tampa Orders Former Accountant to Stop Preparing Federal Tax Returns
05/16/02	02-297	New York Advertising Executive Indicted in Graphics Bid-Rigging and Conspiracy Scheme
05/08/02	02-267	Justice Department Seeks Fines and Possible Jail Time Against Florida Promoter of Tax Fraud Schemes
04/12/02	02-216	Justice Department Files Lawsuit to Halt Tax Return Preparer From Preparing Tax Returns for His Clients
04/11/02	02-214	Accountants Plead Guilty to Participation in International Tax Fraud Scheme

04/11/02	02-212	Justice Department Warns People to Avoid Tax Fraud Schemes
04/10/02	02-207	Department of Justice Files Suits Across the Country in Crackdown on So-Called "Trust" Schemes
03/27/02	02-184	Federal Court in Tampa Orders Tax Fraud Promoter to Stop Preparing Bogus Tax Returns, Promoting Fraudulent Tax Scheme
03/14/02	02-145	Justice Department Sues Preparer of Bogus Tax Refund Claims
03/06/02	02-126	Justice Department Sues to Enjoin Return Preparers Implicated in Slavery-Reparation Tax Scam
03/05/02	02-121	Justice Department Sues to Halt Fraudulent Income Tax Scheme
03/04/02	02-117	Justice Department Sues to Halt Promoters of Illegal Trust Tax Scheme
02/21/02	02-095	Justice Department Obtains Permanent Injunction Prohibiting the Sale of Illegal Tax Plans
02/11/02	02-071	Tax Fraud Complaint Unsealed Against Founder of Anderson Ark & Associates
02/01/02	02-055	Justice Department Obtains Permanent Injunction Against Atlanta Tax Return Preparer

[Prepared Testimony of IRS Commissioner Charles O. Rossotti](#) Before the Senate Finance Committee; Schemes, Scams and Cons; April 11, 2002