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ISRAELI BANKER PLEADS GUILTY IN SOPHISTICATED TAX FRAUD AND MONEY LAUNDERING SCHEME LINKED TO SPINKA SECT

Another Defendant, a New York Rabbi, Agrees to Plead Guilty in Scheme

A Tel Aviv-based banker with United Mizrahi Bank pleaded guilty today to a federal conspiracy charge, admitting that he was part of a scheme to defraud the United States out of millions of dollars in tax revenues by establishing secret bank accounts in Israel involving the use of bogus trusts. The purpose of these secret accounts was to facilitate a tax evasion scheme involving "charitable contributions" to an orthodox Jewish group that refunded most of the money back to "contributors," and to conceal money for other illegal purposes.

Joseph Roth, 66, of Tel Aviv, pleaded guilty to the felony charge today in United States District Court in Los Angeles.

A second person charged in the case, Rabbi Moshe E. Zigelman, 60, of Brooklyn, New York, has agreed to plead guilty to conspiracy at a hearing scheduled for Tuesday. In a plea agreement filed today in federal court, Zigelman acknowledges being part of a decade-long scheme to help people evade federal income taxes by having them make contributions to a variety of charitable organizations operating under the umbrella of Spinka, a religious group within Orthodox Judaism.

Roth and Zeligman are among eight individuals and five charitable entities indicted late last year. Zeligman and the lead defendant – the Grand Rabbi of Spinka, Naftali Tzi Weisz – were accused of soliciting millions of dollars of contributions to several Spinka charitable organizations by promising to secretly refund up to 95 percent of the contributions. In this manner, the contributors could claim as tax deductions the full amounts of their contributions, while actually having contributed as little as 5 percent of the amount they would declare on their federal income tax returns.

Weisz and Zigelman would surreptitiously refund up to 95 percent of the contributions through several methods, according to the indictment. In some cases, the contributors received cash payments through an underground money transfer network involving various parties, some of whom operated businesses in and around the Los Angeles jewelry district. In the plea agreement filed today, Zeligman admits that the total amount of contributions to Spinka-related entities in furtherance of the conspiracy during the year 2006 totaled \$8,493,659, of which \$7,749,063 was returned to contributors.

In court today, Roth admitted his role in a second part of the scheme in which he assisted