



UNITED STATES ATTORNEY'S OFFICE  
EASTERN DISTRICT OF VIRGINIA

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**FOR IMMEDIATE RELEASE:**

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**Tax Evader Sentenced today in Federal Court**

(Norfolk, VA) – Charles Eugene Lancaster, age 52, of Virginia Beach, Virginia, was sentenced today in United States District Court to 46 months of imprisonment and ordered to pay restitution in the amount of \$444,435.96. Chuck Rosenberg, United States Attorney for the Eastern District of Virginia, made the announcement after the sentence was imposed by United States District Judge Raymond A. Jackson. Lancaster entered a guilty plea on November 29, 2006, to bankruptcy fraud and tax evasion.

According to court records, during the period covered in the eight-count indictment charging him with bankruptcy fraud and tax evasion, Lancaster was the general manager of Auto Sport and Imperial Motors, two used car dealerships located in Virginia Beach. In 1998 and again in 1999, Lancaster formed two shell corporations, naming his ex-spouse as the owner of the first corporation and his girlfriend the owner of the second. Thereafter, Lancaster received all of his income owing to him as the general manager from the two dealerships through these two new corporate entities. By employing this scheme, Lancaster was able to disguise his earnings from the IRS because the income earned by the corporations was not subject to a 1099 or W-2 filing requirement.

Instead, after the end of each year, Lancaster issued himself W-2 forms which vastly under-reported his true income. After 1999, neither of Lancaster two corporations filed any tax returns. Lancaster filed personal tax returns for tax years 1999 through 2002 which reflected only his W-2 earnings rather than his true income. In 2003 and 2004, however, Lancaster did not file any tax returns, personal or corporate. During this time-period of 1999-2004, Lancaster evaded paying \$337,407.00 in federal taxes.

In addition, Lancaster filed for personal bankruptcy in July 2001. Through the use of the two shell corporations, Lancaster claimed much less income for the period from 1999 through June 2001 than he actually earned. This was the same reduced income he claimed on his tax returns. As a result of his fraudulent bankruptcy filings, Lancaster was able to discharge \$107,028.96 in back taxes owed to the Internal Revenue Service.

This investigation was conducted by the Criminal Investigation Division of the Internal Revenue Service. Assistant United States Attorney Stephen W. Haynie prosecuted the case on behalf of the United States.

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