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**EIGHT AREA DEFENDANTS PROSECUTED IN SEPARATE TAX FRAUDS;
FEDERAL AUTHORITIES URGE VOLUNTARY TAX COMPLIANCE**

CHICAGO – Eight Chicago area defendants – seven of whom prepared federal income tax returns for clients – have been prosecuted separately in recent months for various criminal violations of federal tax and fraud statutes. The seven tax preparer cases combined involve hundreds of allegedly fraudulent individual income tax returns and several hundred thousands of dollars in false claims for refunds. The eighth defendant pleaded guilty recently to failing to file tax returns with respect to more than \$1.2 million in income that he earned over three years. The assorted indictments, guilty pleas and sentences were announced today by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and James W. Martin, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division in Chicago.

“When people willfully cheat on tax returns they prepare for others or evade their own tax obligations, they impose an unfair burden on those who comply with the law, undermine the confidence in our tax system, and erode the government’s ability to provide services. This office will continue to work with the agents of the IRS Criminal Investigation Division to ensure that those who willfully violate federal tax laws are prosecuted,” Mr. Fitzgerald said

Mr. Martin urged all individuals and corporations in northern Illinois to fulfill their tax obligations by filing truthful returns and paying taxes due. In addition to serious criminal penalties,

including incarceration and fines, the defendants remain responsible for any taxes, penalties and interest due, he said. Those making false claims against the government may be required to make restitution or may be sued civilly for more than the amount of the fraudulent claims.

“Our focus is on protecting revenue by identifying, investigating and prosecuting abusive return preparers. While most return preparers provide excellent service to their clients, a few unscrupulous tax preparers file false and fraudulent returns to defraud the government, the taxpaying public and their clients,” Mr. Martin said. Taxpayers should keep in mind, he added, that no matter who prepares their tax return, they are ultimately responsible for all of the information provided.

Details of the eight cases follow. In each case, the public is reminded that indictments contain only charges and are not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt. If convicted, the Court will impose determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

United States v. Torres

Marylou Torres, 37 (dob 2/27/67), whose last known address was in Chicago, was charged on Feb. 18 in a 35-count indictment alleging false claims against the United States, using false identification and mail fraud. According to the indictment, Torres made and caused at least 60 false claims to the IRS for refunds totaling at least \$160,000, of which 14 tax refunds were actually issued totaling approximately \$30,000. Between at least April 1998 and April 2001, Torres allegedly engaged in a fraud scheme in which she obtained personal information, including names, social security numbers and address from relatives and neighbors to file false tax returns – containing false refund claims – without the knowledge of the taxpayers listed on the returns. Torres also allegedly prepared and filed false W-2 forms that included false information about the taxpayers’ wages, withholding and earned income credits, all with the intent to inflate the amount of claimed refunds. She allegedly included on returns false information about dependents, using the true names and Social Security numbers of certain of her own children and relatives whom she represented as dependents of the taxpayers on the false returns. The indictment alleges that Torres also attempted to conceal her identity as the tax preparer by using the name and employer identification number of an individual who operated a tax preparer service in Chicago. Torres used her own addresses and a post office box to receive tax refund checks, which she then deposited into her own accounts.

A warrant was issued for Torres' arrest. If convicted, she faces a maximum penalty of five years in prison on each count of making false claims and mail fraud and 15 years in prison and a \$250,000 fine on the false identification counts. (AUSA Gabriel Fuentes)

United States v. Virden

Theresa Virden, 30 (dob 9/9/73), of Chicago, whose last known address was in Chicago, was indicted on Feb. 25 on 24 counts of aiding and assisting in the preparation of false tax returns. According to the indictment, Virden was a tax preparer associated with two different Jackson Hewitt tax preparation franchises in Chicago in 1998 and 1999. In each of 24 alleged instances, she decreased her customers' tax liability by fraudulently overstating or misrepresenting itemized deductions, and, in some cases, understating the taxpayer's adjusted gross income. As a result, she allegedly decreased customers' taxable income, reduced their tax liability and overstated their claims for refunds.

A warrant was issued for Virden's arrest. If convicted, she faces a maximum penalty on each count three years in prison and a \$250,000 fine, together with mandatory costs of prosecution. (AUSA James Fieweger)

United States v. Jimenez

Jocelyn Jimenez, 50 (dob 8/26/53), of Skokie, a tax preparer who operated a business on North Milwaukee Avenue in Chicago, was sentenced on Feb. 25 to 18 months in prison and ordered to pay \$105,918 in restitution and \$500 in costs of prosecution. Jimenez, who was indicted a year ago, pleaded guilty last October to preparing a false tax return and obstructing IRS auditors. Between 1994 and 1999, Jimenez caused a tax loss totaling more than \$100,000 by preparing approximately 91 original and amended tax returns on behalf of 23 different clients, each claiming one or more false tax credits, false itemized deductions, an improper filing status or a false dependent. Jimenez also made false statements and submitted false documents to IRS auditors during an audit of one of her clients. (AUSA Timothy Chapman)

United States v. Gordon

Vincent Gordon, 30 (dob 4/7/73), of Chicago, a tax preparer in early 2000 with Super Tax Inc., a Jackson Hewitt franchise in Chicago, pleaded guilty on Feb. 27 to one count of wire fraud and one count of willfully aiding and assisting in filing a false tax return after being indicted in January. In early 2000, Gordon assisted in preparing and prepared false tax returns for clients that increased their refunds, which he sometime deposited into his own bank account. Gordon admitted making five false claims for refunds totaling \$19,848, which he deposited into his own bank account without the taxpayers' knowledge. Gordon also agreed that while working in early 2001 for Megme Inc., a different Jackson Hewitt franchise, that he prepared 26 false and fraudulent tax returns for clients, overstating claims for refunds by a total of \$51,395.

Gordon is scheduled to be sentenced on April 26 by U.S. District Judge Suzanne Conlon. He faces a maximum penalty of five years in prison and a \$250,000 on the wire fraud count and a maximum penalty of three years and a \$250,000 fine on the false return count. (AUSA Matthew Getter)

United States v. Martinez

Joseph S. Martinez, 41 (dob 2/7/63), of Chicago, a tax preparer who operated American Tax Service on West 24th Street in Chicago, was indicted on Dec. 11, 2003, on two counts of mail fraud, two counts of wire fraud and six counts of preparing and aiding the preparation of false tax returns. Between January 1998 and April 1999, Martinez allegedly increased some of his clients' itemized deductions on their 1998 returns and made a total of 44 false claims for refunds totaling approximately \$255,795.

Martinez has pleaded not guilty and his next court date is April 2 before U.S. District Judge Elaine Bucklo. If convicted, he faces a maximum penalty of five years and a \$250,000 on each of the mail and wire fraud counts and a maximum of three years and a \$250,000 on each of count of aiding the filing of a false return. (AUSA Carole Ryczek)

United States v. Tate

Virgil L. Tate, 44, (dob 8/3/59), of Markham, an income tax preparer, was indicted on Jan. 22 on one count each of obstructing the administration of the tax code and filing a false claim for a tax refund. According to the indictment, Tate prepared dozens of false tax returns for clients to reduce their taxes and obtain refunds to which they were not entitled. He also allegedly prepared false W-2 wage statements and fraudulent schedules reporting false itemized deductions, including charitable contributions, taxes paid, medical expenses and un-reimbursed employee business expenses. After learning in 1999 that the IRS had detected his involvement in preparing and filing more than two dozen fraudulent hand-written returns for 1998, Tate allegedly continued to prepare false returns for subsequent years using typewriters or computers instead.

Tate has pleaded not guilty and his next court date is scheduled for March 9 before U.S. District Judge Samuel Der-Yeghiayan. If convicted, he faces a maximum penalty of three years in prison and a \$250,000 fine on the obstruction count, and a maximum of five years in prison and a \$250,000 on the false claims count. (AUSA Stephen Heinze)

United States v. Smith

Arthur Lee Smith, also known as "Buddy" Smith, 46 (dob 6/20/57), of Chicago, was charged on Feb. 18 with three counts of aiding and assisting in the filing of false tax returns for different clients. According to the charges, Smith was a tax preparer associated with King Solomon Tax Service and prepared returns for clients for a fee ranging from approximately \$50 to \$300, with the understanding that he would receive a percentage of any refund the client received from the IRS.

Smith typically required the fee to be paid up front, although he occasionally agreed to accept his fee when a refund was received. In 1998, Smith allegedly aided and assisted in the preparation of three returns for calendar years 1997 and 1998 that falsely stated the amount of earned wages, exemptions, withholdings, earned income credits and the refund due.

Smith is scheduled to be arraigned on March 17. If convicted, he faces a maximum penalty on each count of three years in prison and a \$250,000 fine, together with mandatory costs of prosecution. (AUSA Steve Kubiowski)

United States v. Rehbock

Steven Rehbock, 44, (dob 4/16/59), of Northbrook, a computer software consultant, pleaded guilty on Feb. 19 to two counts of willfully failing to file income tax returns for calendar years 1998 and 1999, and agreed that he also failed to file a return for 2000. Rehbock designed a computer program to assist with potential issues relating to what was commonly referred to as “Y2K.” He had a consulting contract with Allstate Insurance calling for him to be paid \$1 million plus fees. He was paid \$699,750 in 1998, \$221,377 in 1999, and \$279,185 in 2000, for a total of more than \$1.2 million, and failed to file income tax returns for each of those years. In pleading guilty, Rehbock agreed that the tax loss is approximately \$192,462, based on calculating his estimated taxable income during the three years.

Rehbock is scheduled to be sentenced on April 30 by U.S. Magistrate Judge Morton Denlow. He faces a maximum penalty of one year in prison and a \$25,000 fine on each count, together with mandatory restitution and the costs of prosecution. (AUSA James Barz)

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