



**U.S. Department of Justice**

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**NEWS SUMMARY: RACINE MAN FOUND GUILTY OF TAX EVASION  
AND PERJURY IN GRAND JURY TESTIMONY**

On July 19, 2005, Paul Gregory Koleske of Racine, Wisconsin, was found guilty by a jury of willfully attempting to evade federal income tax due and owing from him and his spouse for calendar year 1997, and of knowingly making a material false statement to a federal grand jury in June of 2001 about a fraudulent investment scheme in which he was involved. Judge J. P. Stadtmueller has scheduled a sentencing hearing for Friday, September 23, 2005, on both counts of conviction.

According to the evidence presented at trial, Koleske failed to file a federal income tax return or otherwise pay income taxes for 1997, when he earned in excess of \$200,000 from various sources, including income from a pyramid scheme involving Seleta J. Nelson Investments, the sale of his long distance business, and early IRA distributions. By failing to file a tax return for that year, Koleske evaded the payment of more than \$36,000 due and owing to the Internal Revenue Service (IRS).

The evidence further showed that Koleske attempted to evade the payment of his tax obligation by making material false statements to agents of the IRS, by establishing and depositing investment income into fraudulent trust accounts, and by advancing various illegitimate theories about his status as a non-taxpayer—including that he was a “non-resident alien,” that he was “sovereign,” and that he had “expatriated” from United States citizenship.

According to IRS Criminal Investigation Special Agent in Charge Sallie T. Cooper: “Mechanisms and manipulations of this type to hide assets and income and to disguise the true nature of financial transactions are fraudulent, pure and simple, and a conviction for tax evasion like that suffered by Mr. Koleske is a costly detour in life. This type of detour does not happen to honest, law-abiding citizens who report their income fully and timely and pay the tax legitimately due and owing on it.”

In addition to his conviction for tax evasion, Koleske was also adjudged guilty of falsely telling a grand jury investigating the Seleta J. Nelson Investments scheme that he had lost about \$334,000 in that enterprise—when, in fact, the results of the IRS investigation along with Koleske’s own admissions to investigators showed that he made substantial profits on it throughout 1997. United States Attorney Steven M. Biskupic commented: “Substantial, material misstatements and misrepresentations of this type compromise both the effectiveness and the integrity of the criminal justice system by misleading authorities about the nature and scope of criminal behavior and by causing quantifiable harm to the real victims of fraud.”

This case was investigated by the Criminal Investigation Division of the Internal Revenue Service. The prosecution was handled by Assistant United States Attorneys Matthew L. Jacobs, Mel S. Johnson, and James L. Santelle.

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