



NEWS RELEASE

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FOR IMMEDIATE RELEASE

FORMER STATE PRISON INMATES PLEAD GUILTY TO INCOME TAX REFUND SCHEME

KANSAS CITY, Mo. – Todd P. Graves, United States Attorney for the Western District of Missouri, announced that a fourth inmate of the Moberly Correctional Center in Moberly, Mo., pleaded guilty in federal court today to participating in a conspiracy with other inmates to receive income tax refunds by submitting false returns to the Internal Revenue Service.

Gary Sembler, 55, of Independence, pleaded guilty before U.S. District Judge Fernando J. Gaitan this morning to his role in the conspiracy to defraud the United States by obtaining tax refunds for himself and other inmates.

Sembler is the fourth co-defendant to plead guilty to charges contained in a Sept. 9, 2004, federal indictment. Co-conspirators caused false returns to be filed by 85 participants, Graves said, who received approximately \$29,507 in tax refunds to which they were not entitled. While most participants did not receive refunds, Graves added, 27 participants actually received refunds ranging from \$331 to \$355.

Co-defendants **Linden James Schuster**, 44, of Lexington, Mo., and **John V. Frentzel**, 41, of Columbia, Mo., recruited other inmates at the correctional facility to file fraudulent federal income tax returns under their own names and Social Security numbers, charging them \$100 to participate in the scheme. **Schuster** acted as the enforcer to collect the \$100 from inmates participating in the scheme. **Frentzel** prepared false returns for himself and others using Forms 1040 EZ, falsely reporting more than \$4,000 in wages and no withholdings, and claiming that each was entitled to an Earned Income Credit and tax refund.

Frentzel and **Schuster** mailed completed returns from the prison to unincarcerated co-conspirators and individuals, who mailed them to the IRS Service Center in Kansas City, Mo.

Sembler and co-defendant **Russell D. Kilgore**, 42, of Excelsior Springs, Mo., after being released from incarceration, provided assistance on the outside by allowing the use of their addresses on inmates' returns, mailing completed returns to the IRS, and receiving refund checks for inmates. **Kilgore** also allowed the use of his mother's address in Richmond, Mo., on inmates' returns and to receive refund checks for inmates. **Sembler** also cashed refund checks for inmates.

Schuster pleaded guilty to his role in the conspiracy on Feb. 8, 2005. **Schuster** also pleaded guilty to two specific occasions in which he filed false income tax returns, as a result of which tax refunds were paid, and one instance in which he prepared a false income tax return and sent it to an individual to submit to the Internal Revenue Service. No refund was paid on that claim.

Frentzel pleaded guilty to his role in the conspiracy on Dec. 17, 2004. **Frentzel** also pleaded guilty to 27 separate instances, from Feb. 19, 2000, to April 28, 2001, in which he filed false income tax returns, as a result of which tax refunds were paid. **Frentzel** also pleaded guilty to 28 separate instances from March 30 to April 15, 2002, in which he prepared false income tax returns and sent them to an individual to submit to the Internal Revenue Service. No refunds were paid on those claims.

Kilgore pleaded guilty to his role in the conspiracy on Jan. 28, 2005. **Kilgore** also pleaded guilty to two specific occasions in which he filed false income tax returns, as a result of which tax refunds were paid, and one instance in which he prepared a false income tax return and sent it to an individual to submit to the Internal Revenue Service. No refund was paid on that claim.

This case is being prosecuted by Assistant U.S. Attorney Linda Parker Marshall. It was investigated by the Internal Revenue Service.

This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at

www.usdoj.gov/usao/mow