NEWS RELEASE

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ANCHORAGE MAN INDICTED BY FEDERAL GRAND JURY ON CHARGES OF FILING FALSE CLAIMS FOR TAX RETURNS

Anchorage, Alaska – United States Attorney Nelson P. Cohen announced today, April 7, 2008, that Kong Lor of Anchorage, Alaska, was indicted by a federal grand jury in Anchorage on charges of filing false claims for tax returns. The 36-count indictment named Lor as the sole defendant.

According to the indictment, from late 2004 through early 2005, Lor prepared false and fictitious tax returns for other individuals in Anchorage, Alaska. Kong Lor convinced taxpayers, all of whom were Hmong immigrants who spoke, wrote, and understood little or no English, that they were eligible for refunds. Many of the taxpayers were elderly and none had more than a rudimentary understanding of the U.S. tax system. All were recipients of Supplemental Security Income (SSI). SSI is a federal income supplement program designed to help aged, blind, and disabled people, who have little or no income.

According to the indictment, clients were instructed to obtain benefit statements from the social security office. Lor at times accompanied clients to the office to obtain these documents. He then prepared false returns which reported that taxes had been withheld from income received, and that a refund of the withholding taxes was due. In fact, the taxpayers had not earned taxable income, there had been no withholding, and no refund was due. Copies of the SSI statements were attached to returns, even though SSI is not taxable, there is no withholding, and it need not be reported on income tax returns. The occupation of the taxpayers was listed as “disable” (sic).

Lor prepared returns on his personal computer at his residence, often while clients waited. Clients then signed the returns and mailed them to the IRS. The “Paid Preparer” section of the returns falsely indicated that the returns were “self prepared” even though Lor was paid to prepare them and required by law to sign them. Clients agreed to pay Lor a portion of any refund received, often twenty five percent. This was often pursuant to a written “Policy for Income Tax Returns Agreement” signed by the clients and retained by Lor. Other clients had oral agreements to pay Lor his share of any refund obtained. The 36 counts charged in this indictment requested refunds of $125,167.

Assistant United States Attorney Thomas C. Bradley and Trial Attorney Katie Bagley of the DOJ Tax Division, who presented the case to the grand jury, indicated that the law provides for a maximum total sentence of 5 years in prison for each count, a fine of $250,000 for each count, or both. Under the Federal Sentencing Guidelines, the actual sentence imposed would be based upon the seriousness of the offenses and the prior criminal history, if any, of the defendant.

The defendant was released on $25,000 bond, surrendered his passport and placed under the supervision of the U.S. Probation and Pretrial Services Office.

The Internal Revenue Service–Criminal Investigations conducted the investigation leading to the indictment in this case.

An indictment is only a charge and is not evidence of guilt. A defendant is presumed innocent and is entitled to a fair trial at which the government must prove guilt beyond a reasonable doubt.

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