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**ELK GROVE MAN ARRAIGNED IN TAX SCHEME**

SACRAMENTO--United States Attorney McGregor W. Scott announced today that GREGORY FRANKLIN ADAMS, 44, of Elk Grove, California, was arrested by IRS Special Agents and arraigned on charges of conspiring to file false tax returns and filing false claims against the United States. ADAMS was formally charged in an indictment returned by the grand jury on June 17, 2004.

This case was investigated by the Internal Revenue Service Criminal Investigation Division. According to Victor S.O. Song, Special Agent in Charge of IRS CID, "This type of tax scheme undermines the integrity of the tax system. IRS will pursue these cases vigorously for prosecution."

United States Attorney Scott stated: "The United States Attorney's Office is pleased to have joined with the IRS in this matter. Our vigorous prosecution efforts should serve as notice to others who would attempt to engage in false tax return schemes."

According to Assistant U.S. Attorney James P. Arguelles, who is prosecuting the case, ADAMS is charged with running a scheme during the period of January through July of 2002 to file federal income tax returns which fraudulently claimed Earned Income Credit Tax refunds, a subsidy for low-income families. As part of the scheme, tax returns were electronically filed with the Internal Revenue Service which included Forms W2 which contained false and fraudulent information about the claimant's employer and the amount of income earned. In total, the indictment alleges that ADAMS was responsible for the submission of false federal tax returns seeking more than \$216,000 in fraudulent refunds.

At his initial appearance before Magistrate Judge Peter Nowinski, ADAMS was released to the custody of the Pretrial Services Office. In addition, Judge Nowinski set a further status conference for July 7, 2004, before U.S. District Court Judge William B. Shubb.

If convicted, ADAMS faces a maximum penalty of fifty-five years in federal prison, a total fine of \$2.5 million, and a three-year term of supervised release. The charges contained in the indictment are only allegations and the defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

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