



U.S. Department of Justice

*United States Attorney
District of New Hampshire*

*Federal Building
55 Pleasant Street, Room 352
Concord, New Hampshire 03301*

603/225-1552

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**Contact: Thomas P. Colantuono
United States Attorney
William E. Morse
Assistant U.S. Attorney
James W. Chapman, Jr.
Trial Attorney, Tax Division
U.S. Department of Justice
(603) 225-1552**

TAX RETURN PREPARER CONVICTED OF PREPARING FALSE TAX RETURNS

CONCORD, NEW HAMPSHIRE – The United States Attorney for the District of New Hampshire, Tom Colantuono and Eileen J. O’Connor, Assistant Attorney General of the U.S. Department of Justice Tax Division, announce that today, Steven A. Swan, 51, of Manchester, New Hampshire, was convicted of eighteen criminal tax offenses. Specifically, Swan was convicted of fifteen counts of preparing false tax returns and amended returns for others, two counts of preparing false amended tax returns for himself and one count of corruptly impeding the administration of the federal tax laws. During the period in which the crimes were committed, Swan resided, and conducted a tax return preparation service in Auburn, New Hampshire.

Swan was convicted after a six day trial in United States District Court in Concord presided over by United States District Chief Judge Paul J. Barbadoro. The jury deliberated for approximately two hours before returning its verdict. Swan faces a maximum penalty of three years in prison and a fine of up to \$250,000 for each of the eighteen counts. Swan will be sentenced on May 19, 2004.

The evidence at trial established that during the period 1997 through 2002, Swan prepared hundreds of so-called “zero-income” tax returns for clients. On those returns, Swan reported that the clients did not have any income even though he knew that clients had received substantial wages, salaries, and other compensation. The evidence at trial further showed that in 1997, Swan filed two amended returns for himself falsely reporting that he had no income for tax years 1993 and 1994. Those amended returns sought refunds of taxes Swan had paid previously for those years. Finally, the evidence showed that after the Internal Revenue Service initiated

collection efforts against him, Swan obstructed the administration of the tax laws through a continuing campaign to harass and intimidate the IRS, its employees and third parties lawfully complying with IRS collection requests.

Swan testified in his own defense that he was a former disciple of notorious tax protestor, Irwin Schiff. He further testified that based upon Schiff's teachings and his own research he sincerely believed that there was no law making anyone liable for the federal income tax. Swan also claimed that he believed the federal income tax was unconstitutional, a claim which the Court had already ruled did not constitute a defense to the crimes charged. The government's evidence established that Swan was fully aware of his legal obligation to file accurate tax returns and pay the taxes that were due.

The evidence established that Swan prepared more than 200 tax returns for others, making false claims for refunds in excess of \$1 million dollars. Swan promoted his tax return preparation business by holding seminars entitled, "How Anyone Can LEGALLY Stop Paying Income Taxes" at hotels in Manchester between 1997 and 2002. Swan advertised these seminars in numerous local and regional newspapers. The evidence further demonstrated that Swan encouraged others to file Forms W-4 falsely claiming exempt status to stop the withholding of income taxes. Finally, the evidence showed that Swan initiated numerous frivolous lawsuits and sought the baseless criminal prosecution of IRS collection employees and banks, title companies, and even a recorder of deeds for complying with lawful IRS liens and levies.

United States Attorney Colantuono stated: "This office will continue to vigorously prosecute the promoters of illegal tax scams as well as all fraudulent return preparers. Those who are convicted of willfully violating the federal tax laws can expect to face a prison sentence and substantial fines. Taxpayers should think twice about paying any money to a return preparer who promises them they can legally stop paying income taxes." For more information about illegal tax schemes, taxpayers should go to www.irs.gov and use the keyword "TAX FRAUD."

Joseph Galasso, Special Agent-in-Charge of the IRS's Criminal Investigation division in Boston stated: "Today's verdict should send a clear message to those drawn to the anti-tax movement's illusionary claim that there is no legal requirement to pay federal income taxes. All taxpayers are required to follow the law and the law requires accurate reporting and timely payment of any tax due and owing."

The case was investigated by the Internal Revenue Service's Criminal Investigation Division. This case is being prosecuted by Assistant U.S. Attorney Bill Morse and Jim Chapman, a Trial Attorney with Department of Justice.

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