



U.S. Department of Justice

United States Attorney

Northern District of Iowa

PRESS RELEASE

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**DUBUQUE MAN PLEADS GUILTY TO ASSISTING IN FILING FALSE CORPORATE
TAX RETURNS AND MAKING A FALSE STATEMENT TO THE UNITED STATES
DEPARTMENT OF LABOR**

United States Attorney Charles W. Larson, Sr., announced today the April 14, 2003, guilty plea of DAVID LONEY, age 55, of Dubuque, Iowa, to one count of aiding and assisting in the filing of a false tax return, and one count of making a false statement within the jurisdiction of the United States Department of Labor.

Beginning in 1996 and continuing through at least May 2000, LONEY ran a consulting business in which he acted as a representative for employers seeking to take advantage of the Work Opportunity Tax Credit ("WOTC") and the Welfare-to-Work ("WtW") tax credit. (The WOTC and WtW tax credits were federal income tax credit programs that encouraged employers to hire employees from identified groups of job seekers, including qualified veterans, qualified at-risk youth, qualified ex-felons and long-term welfare recipients. The size of the employers' WOTC and WtW tax credits was based on the wages paid to the employers' eligible employees.)

Prior to becoming a consultant, LONEY was employed by the State of Iowa Workforce Development Center ("IWDC"). During his tenure with the IWDC, LONEY became familiar with the administration of the tax credit programs that preceded the WOTC and WtW tax credit programs. After leaving the IWDC, LONEY began his consulting business. As a consultant, LONEY collected the information necessary to seek State WOTC/WtW tax credit coordinators' certification that his client businesses were entitled to claim WOTC and WtW tax credits on their tax returns. LONEY's compensation was a commission based on the dollar value of the WOTC and WtW tax credits he obtained for his clients.

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At his plea hearing, LONEY admitted that while acting as his clients' representative in the WOTC and WtW certification process, LONEY used several different methods of improperly inflating his clients' WOTC and WtW tax credits and, as a result, improperly inflating the fees he collected from his clients.

In one method, LONEY entered false information on United States Department of Labor forms in order to make ineligible employees appear to be eligible for the WOTC and WtW tax credits. Relying on these false forms, State WOTC/WtW tax credit coordinators unknowingly certified employees as eligible for the tax credits when, in truth, the employees were not eligible.

In another method, LONEY falsely reported to his clients that certain employees had been certified as eligible for WOTC and WtW tax credits when, in truth, the State WOTC/WtW tax credit coordinator had rejected LONEY's application for certification, or LONEY had never sent an application for certification to the State WOTC/WtW tax credit coordinator.

Finally, in some instances, LONEY simply inflated the purportedly eligible employees' wages in his calculation of his business clients' WOTC and WtW tax credit amounts.

In this manner, LONEY caused his clients to claim inflated WOTC and WtW tax credits on their federal tax returns and to pay LONEY an inflated fee for his services.

LONEY faces a maximum sentence of eight years incarceration for his criminal conduct. In addition to whatever sentence is imposed, LONEY will be required to pay the costs of the government's prosecution.

At the conclusion of the guilty plea hearing, LONEY was released under the supervision of the United States Probation Office. A sentencing date has not been set.

The case is being prosecuted by Assistant United States Attorney Sean R. Berry and investigated by the Internal Revenue Service, the United States Department of Labor, and the Dubuque Police Department.