



Department of Justice

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TAX PROSECUTIONS SHOW CONTINUED EFFORTS TO FIGHT TAX FRAUD AS APRIL 17 DEADLINE APPROACHES

Atlanta, GA - United States Attorney David E. Nahmias today announced that more tax-related fraud cases are being pursued by IRS investigators and federal prosecutors, and reminded taxpayers that the upcoming April 17th tax deadline "should not serve as a last-minute temptation to cheat on taxes, for either taxpayers or tax preparers."

"Dishonest tax return preparers who engage in the systematic filing of fraudulent tax returns cause tremendous financial loss to the United States, and ultimately to the millions of Americans who comply honestly and conscientiously with the laws regarding the preparation and filing of their income tax returns," said Nahmias. "We will continue to investigate and prosecute tax return preparers who file fraudulent tax returns or assist others in doing so, but we also remind taxpayers that you are ultimately responsible for the information that goes on your tax return."

IRS Criminal Investigations Special Agent In Charge Rebecca Sparkman said, "As we approach the tax filing deadline, these prosecutions send the clear and timely message that cheating the American people through tax crimes will not be tolerated."

- DONNA WRIGHT HODGE, 52, of Riverdale, Georgia, was indicted by a federal grand jury on April 10, 2007, on 12 counts of aiding and assisting in the preparation of fraudulent income tax returns. The charges stem from her tax preparation business, which she used to submit false income tax returns designed to generate fraudulent refunds for her taxpayer clients. HODGE is expected to make an appearance at a bond hearing and arraignment sometime this week before a United States Magistrate Judge. HODGE allegedly filed federal income tax returns on behalf of other individuals, which contained false information as to the taxpayer's filing status, false itemized deductions, and/or false business expense deductions. She faces a maximum sentence of 36 years in prison and a fine of up to

\$1,200,000, as well as full restitution. This case is being prosecuted by Assistant United States Attorney Teresa Hoyt.

- DEBORAH OWENS EDWARDS, 44, of Lawrenceville, Georgia, was indicted by a federal grand jury on the same day, April 10, 2007, on charges of preparing 16 false tax returns for various taxpayers for the tax years 2004 and 2005. The indictment alleges that EDWARDS falsified information on Schedule C as to the taxpayers' purported income and losses from purported business activity, which resulted in inflated refunds. The allegedly false refunds for the 16 returns total over \$40,000. EDWARDS faces a maximum sentence, per count, of five years of imprisonment and a \$250,000 fine, for a total of 80 years imprisonment and \$4,000,000 in fines, as well as full restitution to the United States.
- On April 3, 2007, a federal grand jury returned a nine-count indictment charging JERRY MARCHELLETTA, SR., 74, JERRY MARCHELLETTA, JR., 41, and TERRI KOTTWITZ, 49, all of Alpharetta, Georgia, with conspiracy to defraud the IRS through the filing of fraudulent personal and corporate income tax returns and by aiding and assisting the filing of false income tax returns. The MARCHELLETTAs are father and son owners of "Circle Industries USA, Inc.," a drywall contractor on large scale construction projects, including office buildings, hotels and malls. The indictment alleges that the MARCHELLETTA's, aided and assisted by KOTTWITZ, Circle's controller, diverted hundreds of thousands of dollars in income from Circle to buy land in Alpharetta, Georgia and to pay for the construction of their luxury homes. The indictment further alleges that the MARCHELLETTA's, again aided and assisted by KOTTWITZ, diverted additional income from Circle to pay for their purely personal expenses, and that MARCHELLETTA, SR. conspired with KOTTWITZ to hide \$6,000 per month in income he was being paid from a former business. JERRY MARCHELLETTA faces a maximum sentence of 14 years in prison and a maximum fine of \$550,000. JERRY MARCHELLETTA, Sr. faces a maximum sentence of 16 years in prison and a maximum fine of \$550,000. KOTTWITZ faces a maximum sentence of 17 years in prison and a maximum fine of \$650,000. This case is being prosecuted by Assistant United States Attorney Paul Monnin.
- In September 2006, a federal grand jury in Atlanta returned an indictment charging NASSER SBAITY, 46, of Stockbridge, Georgia, a/k/a "Victor Sbaity," with making false statements on corporate tax returns and with tax evasion with regard to his personal tax returns for the tax years 2001 through 2005. SBAITY is alleged to have been the owner of various International House of Pancakes ("IHOP") restaurants throughout the State of Georgia. The indictment charges that SBAITY falsely claimed to have made substantial personal cash expenditures on behalf of his businesses, and falsely booked substantial personal credit card expenses as supposed business expenses, both of which had the effect of reducing the

businesses' profits and therefore his own taxes. SBAITY also allegedly deposited in his own account several thousand dollars worth of rebate checks from IHOP's vendors, and failed to report those checks as income. SBAITY faces a maximum sentence of 46 years imprisonment and \$1,200,000 in fines, as well as full restitution to the United States. SBAITY remains a fugitive, possibly in Lebanon. The EDWARDS and SBAITY cases are being prosecuted by Assistant United States Attorney Justin Anand.

- On February 8, 2007, in United States District Court in Rome, Georgia, KATHY ELAINE BURNECKE, 46, and her husband, ROBERT EDWARD BURNECKE, 47, both of Tunnel Hill, Georgia, pleaded guilty to filing false joint 2001 and 2002 income tax returns. Under their plea agreements they will also be held responsible for unreported income for the 1999 and 2000 tax years. The total unreported income for 1999 through 2002 is approximately \$384,143, with a corresponding total tax loss of approximately \$130,495. The BURNECKEs could each receive as much as 6 years in federal prison. Sentencing has been scheduled for May 11, 2007, before Judge Harold L. Murphy. The case is being prosecuted by Assistant U.S. Attorney Charysse L. Alexander.

Members of the public are reminded that the indictments in each case contain only allegations. A defendant is presumed innocent of the charges and it will be the government's burden to prove a defendant's guilt beyond a reasonable doubt at trial.

These cases are being investigated by Special Agents of the Internal Revenue Service, Criminal Investigations.

For further information please contact David E. Nahmias (pronounced NAH-me-us), United States Attorney or Charysse L. Alexander, Chief, Public Corruption and Government Fraud, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.usdoj.gov/usao/gan.