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SAN JOSE TAX PREPARER SENTENCED TO 24 MONTHS FOR DEFRAUDING THE GOVERNMENT

Defendant Will Never Again Prepare Professional Tax Returns

SAN JOSE - United States Attorney Scott N. Schools and IRS-Criminal Investigation Special Agent in Charge Scott O'Briant announced that San Jose tax preparer MELINDA NEWENS was sentenced to 24 months in prison for aiding and assisting in the preparation of false tax returns. This sentence is the result of an investigation by the Internal Revenue Service - Criminal Investigation.

Ms. Newens pleaded guilty on June 26, 2006 to one count of aiding and assisting in the preparation of false tax returns, in violation of 26 U.S.C. § 7206(2). According to the plea agreement, Ms. Newens, 54, owned and operated two franchises under Jackson Hewitt Tax Service, Inc., in San Jose.

Beginning in the 1999 tax year, and continuing through the 2003 tax year, Ms. Newens included fraudulent deductions in the tax returns she prepared for certain clients who filed their taxes electronically. She admitted that she engaged in this fraudulent practice for three reasons: first, by adding deductions that resulted in the filing of additional schedules and forms on her clients' returns, she was able to increase her fee for preparing the return; second, her fee was generally paid from the tax refunds her clients received; third, she wanted to make her clients happy, and retain their business, by increasing the size of their tax refunds.

According to IRS Criminal Investigation Special Agent in Charge Scott O'Briant, "Ms. Newens sentencing demonstrates that the filing of false tax returns is a serious crime with serious consequences. Fraudulent tax preparation schemes utilizing false and inflated deductions cost the government millions of dollars each year. IRS Criminal Investigation will aggressively investigate those who intentionally cause the preparation and filing of false tax returns. Taxpayers should be very careful in choosing their tax professional. I personally want to thank the United States Attorney's Office for making tax preparer fraud a priority for criminal prosecution."

United States Attorney Scott Schools stated, "The Department of Justice and the United States Attorney will continue vigorously to pursue and prosecute tax fraud, especially when it is committed by the very professionals in whom individual and small business taxpayers place their trust to prepare their taxes properly."

Newens acknowledged that she included fraudulent deductions in her clients' returns without their knowledge or consent. Newens further admitted that as a result of her fraud, the Internal Revenue Service conducted correspondence audits of approximately 400 of her clients and that the tax loss to the federal government identified by those audits was over \$1 million. In pleading guilty, Newens also agreed to sell or transfer her interest in the two Jackson Hewitt franchises she owns, and further agreed that she will never

again prepare tax returns professionally or supervise any other person in the professional preparation of individual, partnership, or corporate tax returns.

David Callaway is the Assistant U.S. Attorney who prosecuted the case with the assistance of Tracey Andersen. The sentence is the result of an investigation by IRS-Criminal Investigation.

Further Information:

Case # CR 06-00273-RMW

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Natalya LaBauve at (415) 436-7055 or by email at Natalya.LaBauve@usdoj.gov.

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