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**LAWYER CONVICTED IN SCHEME
TO SELL PHONY TAX SHELTER**

Sold \$8 Million in Bogus Tax Deductions,
and Concealed Hundreds of Thousands in Income from the IRS

Greenbelt, Maryland - A federal jury convicted A. Thomas Thorson, age 67, of New York, New York, today for conspiracy to defraud the U.S. Treasury Department and aiding the filing of false income tax returns in connection with a scheme to sell millions in fraudulent income tax deductions for donations of cemetery sites to conceal income from the sales of the deductions, announced United States Attorney for the District of Maryland Rod J. Rosenstein and Eileen J. O'Connor, Assistant Attorney General for the Tax Division of the U.S. Department of Justice.

"Our tax system relies upon people honestly reporting and paying the taxes that they owe," said United States Attorney Rod J. Rosenstein. "People who cheat the IRS are cheating their friends, neighbors and fellow citizens. We will investigate and prosecute not just people who use fraudulent tax schemes, but also lawyers who devise and implement fraudulent tax schemes."

"The Tax Division has made it a priority to stop tax fraud schemes by identifying, investigating and prosecuting those who promote them and those who use them," said Eileen J. O'Connor, Assistant Attorney General for the Justice Department's Tax Division. "These schemes are a fraud on the federal Treasury, and an insult to all who pay the taxes the law requires."

Francis L. Turner, Special Agent In Charge, Internal Revenue Service, Criminal Investigation, stated, "Unscrupulous scheme promoters often twist the law for their own personal profit. If it sounds too good to be true, it probably is."

Testimony at the three week trial showed that Thorson and his co-conspirators convinced wealthy individuals to invest in a partnership called Heritage Memorial Park Associates (HMPA). By becoming partners, the investors were told, they would receive a tax deduction and resulting tax benefit that would be substantially larger than their investment. For tax years 1996 through 1998, more than three dozen investors paid more than \$2.3 million to purchase almost \$10 million in tax deductions. The investment funds were used to purchase rights to be buried at certain cemeteries at Heritage Memorial Park in Waldorf, Maryland, and Sunrise

Lake Memorial Garden, in Stafford County, Virginia. Thorson and his co-conspirators caused an HMPA partnership to donate the sites to a charitable organization.

The evidence at trial demonstrated that Thorson and his co-conspirators caused the HMPA partnership to file returns with the Internal Revenue Service that claimed more than \$10 million in charitable contributions for donation of the cemetery sites. In fact, Thorson and his co-conspirators falsified the purchase dates of the cemetery sites in order to fraudulently claim that the cemetery sites had been held for more than one year prior to the donation. Internal revenue laws allow taxpayers to take a deduction in the amount of the fair market value of property that has been held for more than one year. Relying on the false holding periods, the partnership returns reported charitable donations in the amount of the purported fair market value of the sites, which substantially exceeded the actual cost of the sites. Testimony showed that Thorson and his co-conspirators also back-dated agreements and other documents to support the false holding periods. As a result, the HMPA partnership returns fraudulently inflated the deductions that the partners could claim on their individual income tax returns by more than \$8 million.

Relying on the false partnership returns, the investors filed individual income tax returns for 1996 through 1998 that claimed fraudulently inflated deductions for charitable contributions.

Evidence at trial showed that for 1998 and 1999, Thorson personally filed false federal income tax returns that failed to report as income more than \$300,000 that he received from the sales of partnership deductions. Rather than reporting the income, Thorson and his co-conspirators endeavored to disguise the proceeds as non-taxable loan payments. To foster this false pretense, Thorson directed that his share of the proceeds be deposited into the bank account of a Nevada shell corporation called AGH, Inc. He then prepared phony loan agreements with AGH and another shell corporation to disguise the nature of the funds as loan payments.

The jury found co-defendant Thomas D. Franks, age 57, a certified public accountant from Asheville, North Carolina, not guilty of the charges.

The maximum penalty for the conspiracy charge is five years in prison and a \$250,000 fine. The maximum penalty for each count of aiding and assisting false income tax returns is three years in prison and a \$250,000 fine. U.S. District Judge Roger W. Titus has set sentencing for August 3, 2007 at 9 am.

Co-defendants Glendle R. Johnston, age 65, and John H. Ross, age 58, both of Fredericksburg, Virginia, previously pleaded guilty to conspiracy to defraud the U.S. Treasury Department and are scheduled to be sentenced July 25, 2007 and August 1, 2007, respectively.

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