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Eastern District of California

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CALIFORNIA RESIDENTS INDICTED FOR NATIONWIDE \$60 MILLION FRAUDULENT TAX REFUNDS SCHEME

WASHINGTON — In an indictment unsealed today, Teresa Marie Marty, of Pollock Pines, Calif.; Rebecca Bandera-Marty of Shingle Springs, Calif.; and Pamela Harris of Placerville, Calif., were charged with conspiring to defraud the United States, the U.S. Department of Justice and the Internal Revenue Service announced. In addition to the conspiracy count, Marty is charged with 33 counts of false claims against the United States, and Bandera-Marty is also charged in 16 of these counts.

According to the indictment, in 2008 and 2009 Marty, Bandera-Marty, and Harris conspired to defraud the United States by filing at least 250 false individual federal income tax returns, claiming more than \$60 million in false federal income tax refunds for clients in 26 states. In response to the false returns, the IRS erroneously issued more than 40 tax refunds, totaling more than \$8 million, including a false refund for \$277,832 for Marty's own tax return.

According to the indictment, the defendants operated the fraudulent scheme through Marty's tax preparation business, Advanced Financial Services (AFS) in Placerville. Marty and her daughter-in-law Bandera-Marty were licensed tax preparers, and Harris was AFS's office manager. The defendants recruited clients by claiming that they could eliminate their debts and legally receive sizable tax refunds. They billed and collected excessive fees for this service, sometimes as high as \$6,000. The defendants prepared the false tax returns claiming large refunds based on fictitious Forms 1099-OID. The fraudulent returns falsely reported that a client's total outstanding debt (mortgage, credit limits on credit cards, student loans, auto loans, etc.) was actually interest income that the client had received from the lender that had been withheld by the IRS, and therefore, the client was entitled to a refund.

In March 2010, a federal judge in Sacramento permanently barred Marty and AFS from acting as federal tax return preparers in response to a lawsuit filed by the Justice Department's Tax Division. More information about the civil case is available on an earlier Justice Department press release.¹

¹ <http://www.justice.gov/opa/pr/2010/March/10-ag-253.html>

If convicted, Marty, Bandera-Marty, and Harris each face up to 10 years in prison for the conspiracy charge. Marty and Bandera-Marty also face up to five years in prison for each false claim charge. Any sentence, however, would be determined at the discretion of the court after consideration of any applicable statutory sentencing factors and the Federal Sentencing Guidelines, which take into account a number of variables. The charges are only allegations; the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

The case was investigated by IRS-Criminal Investigation and is being prosecuted by Justice Department Tax Division Trial Attorney Ignacio Perez de la Cruz and Assistant U.S. Attorney Matt Segal in Sacramento.

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