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THREE CHARGED WITH CONSPIRING TO DEFRAUD THE IRS, AMONG OTHER CRIMES

Avoided Taxes on Gains Made in Sales of Stockton Properties

SACRAMENTO, Calif. — United States Attorney Lawrence G. Brown announced today the unsealing of a six-count indictment that was returned by a federal grand jury on October 15, 2009. The indictment charges OBED UR RAHMAN, MOHAMMAD NASIR KHAN, of Stockton, and SHAKER AHMED, with conspiring to defraud the Internal Revenue Service. RAHMAN is also charged in the indictment with one count of subscribing to a false federal income tax return, one count of failing to disclose information to the Social Security Administration, one count of providing false information to the Social Security Administration, and one count of theft of government property. KHAN is also charged separately with one count of subscribing to a false tax return.

This case is the product of a joint investigation by the Internal Revenue Service, Criminal Investigation; the Federal Bureau of Investigation; and the Social Security Administration, Office of Inspector General.

According to Assistant United States Attorneys John K. Vincent and Sean C. Flynn, who are prosecuting the case, the indictment alleges that RAHMAN, KHAN and AHMED conspired to defraud the IRS out of the payment of taxes on the gain realized from the sale of a duplex, by using a fraudulent property exchange under Section 1031 of the Internal Revenue Code. Section 1031 allows persons who sell real property to avoid taxes on proceeds if the proceeds are used to purchase like-kind replacement real property of equal or greater value. According to the indictment, defendants RAHMAN and KHAN sold a duplex located at 1233 and 1235 East Tenth Street in Stockton, California as part of a property exchange under Section 1031. As a further part of the exchange, RAHMAN and KHAN purchased replacement property from AHMED at a falsely inflated price, and AHMED then refunded approximately \$139,555 of the overpayment to RAHMAN and KHAN.

RAHMAN and KHAN subsequently filed false tax returns for the 2004 tax year on which they failed to pay tax on the gain from the sale of the duplex. KHAN also allegedly avoided paying taxes on the gain from the sale of two other pieces of property he sold in that same year. He allegedly used fraudulent exchanges under Section 1031 for those two properties as well.

Finally, the indictment alleges that RAHMAN committed fraud against the Social Security Administration (SSA) by a making false statement to the SSA, and by failing to report a change in his circumstances, which enabled him to fraudulently collect disability benefits during years that he was self-employed – operating a business of buying, renovating, and selling homes.

The conspiracy count and the two counts involving false information to the Social

Security Administration each carry maximum statutory penalties of five years incarceration. The theft of government property count carries a 10-year maximum penalty, while the false tax return counts are punishable by up to three years in federal prison.

The charges are only allegations and each defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

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