

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA San Diego, California

***United States Attorney
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For Immediate Release

TAX PREPARER INDICTED FOR FRAUD AND TAX EVASION

NEWS RELEASE SUMMARY - August 6, 2009

United States Attorney Karen Hewitt announced that tax return preparer David Canales was arraigned today in federal court in San Diego before Magistrate Judge Nita L. Stormes on an 18-count indictment charging Canales with mail fraud, wire fraud, and tax evasion. The indictment was handed up by a federal grand jury on August 4, 2009 and unsealed today. Canales was arrested on August 5, 2009 by agents from the Internal Revenue Service - Criminal Investigation and the U.S. Treasury Inspector General for Tax Administration.

According to the indictment, between 2001 and 2008, Canales operated a tax preparation and bookkeeping business named "Executive Management Services," in Chula Vista, California. The indictment alleges that Canales owned and controlled two bank accounts in the fictitious business names, "International Recovery Systems/IRS" and "Freight Transport Brokers/FTB." The indictment alleges that Canales directed his clients to write checks payable to the "IRS" and "FTB." According to the indictment, these clients believed that they were paying the Internal Revenue Service (IRS) and the California Franchise Tax Board

(FTB) for tax they owed and that Canales would submit the checks along with their tax returns to the relevant taxing authorities. The indictment alleges that instead of forwarding these checks and the tax returns to the IRS and FTB, Canales deposited the checks into his own “IRS” and “FTB” bank accounts and either did not submit the clients’ returns to the relevant taxing authority or submitted different returns showing little or no tax due and owing.

The indictment also charges Canales with willfully evading taxes for the years 2003-2007.

The defendant is next scheduled to be in court on August 20, 2009, before United States District Court Judge Thomas J. Whelan for a motions hearing.

DEFENDANT

Case Number: 09cr2946W

David Canales

SUMMARY OF CHARGES

Counts 1-6: Title 18, United States Code, Section 1341 (Mail Fraud)
Maximum punishment of 20 years’ imprisonment, a fine of \$250,000,
and three years supervised release.

Counts 7-13: Title 18, United States Code, Section 1343 (Wire Fraud)
Maximum punishment of 20 years’ imprisonment,
a fine of \$250,000, and three years supervised release.

Counts 14-18: Title 26, United States Code, Section 7201 (Income Tax Evasion)
Maximum punishment of 5 years’ imprisonment, a fine of \$100,000,
and one year supervised release.

AGENCIES

Internal Revenue Service - Criminal Investigation
U.S. Treasury - Inspector General for Tax Administration

An indictment itself is not evidence that the defendant committed the crimes charged. The defendant is presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.