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News Release

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Three tax defiers convicted of tax fraud conspiracy

Three Minnesota residents were convicted today in federal court on tax and conspiracy charges stemming from a scheme to defraud the Internal Revenue Service out of more than $1 million by filing false tax returns.

After three hours of deliberation, on Dec. 9 a jury found Douglas Earl Leiter, 40, Minneapolis, guilty on one count of conspiracy to defraud the IRS and to aid and assist in the preparation of false tax returns; one count of filing a false tax return; and one count of aiding a false tax return.

Brian Keith Scott, 42, Zimmerman, was convicted of one count of conspiracy, one count of filing a false tax return and two counts of aiding a false tax return. Timothy Paul McCarthy, 62, St. Paul, was convicted of one count of conspiracy and two counts of aiding a false tax return.

Two other defendants – Laurie Therese Strohbeen, 51, St. Paul, and Christopher Craig Robinson, 35, Plymouth, have each pleaded guilty to one count of conspiracy. A sixth defendant, Mark David Maxwell, 52, Minneapolis, remains a fugitive.

"Today's verdict sends a clear message to those who defy the tax laws of the United States that juries will hold them accountable for their illegal actions," said U.S. Attorney Frank J. Magill. "This office will continue to aggressively prosecute those who attempt to cheat the system."

According to the indictment and evidence introduced during the six-day trial, from at least June 2001 through at least October 2004, the defendants engaged in tax defier conduct, including conspiring to defraud the United States by impeding and obstructing the lawful functions of the IRS and by impairing the collection of income taxes, and aiding and assisting in the preparation of false tax returns.

The conspiracy involved two false return schemes and a third scheme to defraud the U.S. utilizing false non-profit organizations. In both of the false return schemes, despite earning income, individuals attempted to pay no taxes and attempted to obtain fraudulent refunds by claiming all, or nearly all, of their wages as a deduction from taxable income. Some of these returns were accompanied by declarations in which the individuals claimed that wages were not taxable income.

Using the third scheme, clients of these defendants structured their businesses as limited liability corporations, purportedly owned by non-profit organizations. The corporations would distribute profits to bank accounts in the names of these fraudulent non-profits, which did not file tax returns or pay taxes. In reality, these bank accounts in the name of non-profits were controlled by the defendants' clients. These clients used the untaxed money in those bank accounts to pay for personal expenses.

The defendants charged their clients a fee to participate in the various schemes. The defendants also charged, and in a few cases received, a percentage of any refund that their clients obtained.

"Today's conviction makes clear that juries are seeing through the tax defier rhetoric and holding taxpayers accountable for the actions they take to defraud the IRS by either filing false tax returns or assisting others to file false tax returns," said Nathan J. Hochman, Assistant Attorney General of the Justice Department's Tax Division. "The Justice Department has committed to investigate and prosecute tax defier conduct throughout the nation under the National Tax Defier Initiative."

"There are numerous variations of abusive tax schemes, but in general they are designed to either shift income and assets into vehicles that the scheme promoters say will eliminate tax liabilities or will significantly increase the amount of a tax refund," said IRS Criminal Investigation Chief Eileen Mayer. "The true bottom line on these schemes is that they are fraudulent and the jury's decision today makes this very clear."

The defendants each face potential maximum penalties of five years in prison on the conspiracy count, and three years on each false tax return count. U.S. District Court Judge Patrick Schiltz will determine their sentences at a future date.

This case is the result of an investigation by the IRS-Criminal Investigation Division and the Minnesota Department of Revenue, and was prosecuted by Assistant U.S. Attorney Michael Cheever and Tax Division Trial Attorney Michael Romano.

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