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VALLEY BUSINESS WOMAN PLEADS GUILTY TO TAX FRAUD

FRESNO--United States Attorney McGregor W. Scott, Eastern District of California, and United States Attorney Randy G. Massey, Southern District of Illinois, announced today that BONNIE ARNEL, 52, a tax preparer currently residing in Newman, California, entered a guilty plea in federal court in Fresno to thirty-nine counts of filing false income tax returns and three counts of making false statements to the Internal Revenue Service (IRS).

The case was investigated by the Internal Revenue Service's Criminal Investigation and Exam Divisions of the Southern District of Illinois.

According to Assistant United States Attorney Karen A. Escobar of the Eastern District of California and Assistant United States Attorney Kevin Burke of the Southern District of Illinois, who prosecuted the case, ARNEL acknowledged that from 2001 through 2003, she held herself out as a tax preparer operating a business out of what was then her home in Godfrey, Illinois, located in Madison County, Illinois. Internal Revenue agents noticed a pattern of questionable deductions on federal income tax returns prepared by ARNEL. An audit was performed on 82 returns that had been prepared by ARNEL and significant problems were found in each return.

ARNEL further acknowledged in her plea agreement that her clients later reported to the IRS that, during consultations, ARNEL claimed to be able to "find the deductions the IRS does not want you to know about." ARNEL also promised to appear at any audits. When ARNEL's clients were audited, she urged them not to attend, asserting that the audit notice was a mistake or an IRS "computer glitch." In each and every case, ARNEL failed to appear at client audits. When questioned by clients as to why ARNEL failed to attend audits, ARNEL provided various excuses such as claims that she had been poisoned by one of her children, that she had a heart attack and was in the hospital, that she locked her keys in her car, that her daughter was in rehabilitation, that she had a flat tire, and that she had a "family emergency."

Based on these reports, undercover agents went to ARNEL's office posing as prospective clients on two separate occasions. In both cases, ARNEL prepared false and inflated returns. In May of 2003, a search warrant was obtained and executed at ARNEL's home, which also served as her place of business for tax preparation. Among the items found was a computer with tax

preparation software. Agents determined that ARNEL had to manually override fields in the program in order to arrive at the figures that ARNEL submitted to the IRS. During the execution of the search warrant, ARNEL was questioned by the IRS and made a number of false statements including that: (1) she had obtained a Bachelor's degree in Accounting from Southern Illinois University at Edwardsville; (2) she always required clients to provide supporting documentation for every deduction claim; (3) that she had not attended clients' audits because clients had failed to provide her with the supporting documentation related to the audits; and (4) she had prepared and filed her personal returns for the tax years of 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, and 1999, and that each return must have been lost in the United States mail. Such statements form the basis for the false statement charges to which ARNEL entered her guilty plea.

With information obtained from audits by Revenue agents and in the search warrant, 39 of the 82 returns were selected, which form the basis for the 39 counts of filing false tax returns to which ARNEL also pled guilty. All taxpayers related similar experiences with ARNEL. ARNEL assured clients that her deductions were legal, that she could find deductions that other preparers could not, that she would attend any audits, and that she had extensive experience and expertise in the field of tax preparation. Taxpayers related that ARNEL would examine returns submitted by other preparers for previous years and claim that the preparers had missed many legitimate deductions. ARNEL submitted amended returns (1040X's) for previous years claiming false and inflated deductions. All taxpayers referred to in the 39 counts have accepted the tax adjustment calculated by the IRS and have either paid the money back in full or are on payment plans.

ARNEL's personal liability for tax year 1995 through September 16, 2006, including interest, penalties, and including preparer penalties, is \$403,832.48. Further, ARNEL worked as a bookkeeper for CAM Construction, LLC, also in Illinois, from 2001 to 2003. During this time, ARNEL embezzled from CAM Construction, LLC, in the amount of \$114,211.94. Such embezzlement does not form the basis of any charge to which ARNEL pled guilty, but ARNEL has agreed to a restitution order in this amount as part of her plea agreement.

ARNEL's is scheduled for sentencing before U.S. District Judge Anthony W. Ishii on May 7, 2007. She faces a maximum prison term of three years in prison as to each count of filing a false income tax returns and five years as to each count of making a false statement. However, the actual sentence will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables, and any applicable statutory sentencing factors. As part of her guilty plea, ARNEL has agreed to pay all taxes due and owing to the IRS, including penalties and interest, and make restitution to CAM Construction. She is also required to pay a mandatory penalty assessment of \$4,300.

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