

The United States Attorney's Office

Southern District of Florida

Press Release

LAKE WORTH TAX RETURN PREPARER CONVICTED ON TAX FRAUD, CONTEMPT CHARGES

Promoted Scheme to Hide Income, Assets from IRS in Bogus Trusts, Evading Millions in Taxes

April 30, 2007

FOR IMMEDIATE RELEASE

R. Alexander Acosta, United States Attorney for the Southern District of Florida, Eileen J. O'Connor, Assistant Attorney General for the Justice Department's Tax Division, and Michael Yasofsky, Jr., Special Agent in Charge, Internal Revenue Service (IRS), Criminal Investigation Division, announced today that, following a five-week trial, a federal jury in West Palm Beach found defendant **Louis Wayne Ratfield**, a Lake Worth, Florida, tax return preparer, guilty on fifty charges in connection with his participation in a tax fraud scheme to hide income and assets in bogus trusts.

On April 13, 2006, Ratfield was charged in a fifty-six count Indictment with preparing for clients and himself fraudulent federal individual and trust income tax returns, corruptly impeding the enforcement of the tax laws, and criminal contempt. Prior to trial, the government dismissed five of those counts. The Indictment alleged and evidence offered at trial established that Ratfield operated LWR Accounting and Tax Service, a tax preparation business, later called LWR Financial Services Trust. The businesses were located in Lake Worth.

In or before 1997, Ratfield allegedly began collaborating on a book that was eventually published and widely marketed under the title "The Constitutional Common-Law Trust," which fraudulently advised taxpayers that they could claim deductions on their returns for ordinary living expenses, such as the costs of utilities, food, clothing, vehicles, and education, through use of the so-called "common-law trust." The evidence established that Ratfield provided advice on creating and using "common law trusts," keeping a second set of business records, and counseling readers not to trust advice from government, banks and other businesses.

Ratfield marketed "common law trust" packages to clients throughout the United States via group seminars and individual client meetings, sold over 100 trust packages at prices ranging from \$2,995 to \$5,995 each, and prepared at least 252 federal tax returns in connection with the scheme. The evidence at trial also established that once the IRS began auditing his clients, Ratfield took numerous unlawful steps to obstruct and impede the audits. According to the indictment, Ratfield's conduct caused a tax loss to the U.S. Treasury of more than \$6.4 million.

On September 7, 2001, the Department of Justice filed a civil law suit against the defendant in U.S. District Court for the Southern District of Florida, in connection with his marketing of the "common law trust" scheme. On September 29, 2002, the court issued a preliminary injunction barring Ratfield from acting as a federal income tax return preparer until he provided a complete client list to the IRS, and from organizing or selling abusive tax shelters, making false statements about purported tax benefits associated with participation in an abusive tax shelter, and assisting in the preparation of or preparing any tax returns that he knew would result in the understatement of a tax liability.

On November 30, 2004, the court entered a permanent injunction against Ratfield and also ordered him, among other things, to contact all of his trust clients and inform them of the court's order. The Indictment alleges and the evidence at trial established that Ratfield committed criminal contempt, in part, by continuing to promote and defend his "common law trust" scheme, representing clients before the IRS after the court ordered him to stop these activities, and continuing to make false statements about the taxability of income and deductibility of expenses.

U.S. Attorney Alex Acosta stated, "By fraudulently advising taxpayers that they could claim deductions for ordinary living expenses, including food, clothing, and the cost of education, Ratfield caused a tax loss to