

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

NEWS RELEASE SUMMARY - April 15, 2011

United States Attorney Laura E. Duffy today announced the prosecution of two local tax preparers charged with stealing millions of dollars in purported tax payments and tax refund checks.

The first case involves Steven Martinez, a former Revenue Agent with the Internal Revenue Service (IRS) turned tax preparer. Martinez was arrested by IRS agents earlier today following the return of a 49-count indictment that charges him with mail fraud, procuring false tax returns, social security fraud, aggravated identity theft, making false tax returns, money laundering, and criminal forfeiture. He is currently scheduled to be arraigned before United States Magistrate Judge Mitchell D. Dembin on April 18, 2011.

The indictment charges Martinez with stealing over \$11 million in tax payments that should have been sent to the IRS. According to the indictment, Martinez presented his clients with completed tax returns indicating that they owed a significant amount of tax. The indictment alleges that he then persuaded his clients to write checks payable for the amount of taxes (or estimated tax) due and owing to an alleged client

trust account (instead of directly to the IRS or the California Franchise Tax Board). Rather than deposit these checks into an actual client trust account, Martinez deposited them into several bank accounts in the names of fictitious entities. The indictment further alleges that after disguising the nature of the funds in the accounts, he used millions of dollars in tax payments to fuel his extravagant lifestyle which included a multi-million dollar home in Ramona, an airplane, a boat, a motor home, trips to the Super Bowl, and vacations in Mexico. The indictment also alleges that Martinez, in an attempt to conceal his fraud, filed a different set of false tax returns indicating that his clients owed little or no income tax. In this manner, Martinez defrauded the IRS and the California Franchise Tax Board of more \$11 million in federal and state taxes due and owing.

In the second case, John Leonard Camilo pled guilty earlier today to aiding and assisting the preparation and filing of various United States Federal Income Tax Returns for his friends, associates and acquaintances. According to his plea, between 2004 and 2010, Camilo utilized a variety of methods to defraud the IRS out of approximately \$800,000, including: (1) creating false businesses which allegedly suffered losses; (2) creating false educational expenses utilized to claim educational tax credits; (3) improperly claiming individuals as dependents who – although they were real people – were not, in fact, dependents of the taxpayers; and (4) inflating “Schedule A” itemized deductions (such as medical expenses) that had no basis in reality. Camilo entered his guilty plea before visiting Magistrate Judge Victor E. Bianchini, subject to final acceptance of the plea at the time of sentencing on July 25, 2011 at 9:30 a.m., before United States District Judge Larry A. Burns.

As a further part of his plea, Camilo admitted that he devised a separate scheme to obtain money from 14 (of the 91) taxpayers by providing them with different returns than the ones that he filed with the government. Camilo admitted that as part of the scheme, he gave these 14 taxpayers returns that indicated that they were not due a refund from the government. Camilo further admitted that instead of filing these returns, he prepared a different set of returns that falsely indicated that the taxpayers were due a refund from

the government. This set of false returns utilized two different mailing addresses which Camilo controlled and where he received refunds totaling \$120,107.39.

“The IRS-Criminal Investigation takes violations of tax law by return preparers very seriously,” said Leslie P. DeMarco, Special Agent in Charge of the IRS-Criminal Investigation, Los Angeles Field Office. “Return Preparers who choose to prepare and file false tax returns, steal payments or refunds, misuse clients’ identity or in any other manner undermine the honesty and integrity of our tax system risk prosecution. The IRS stands ready to investigate anyone who would put a taxpayer at risk for a quick profit. As the tax filing season concludes next week, the American public can be confident that the IRS and Department of Justice are working vigorously to stop abusive schemes.”

DEFENDANT

Criminal Case No. 11CR1445WQH

Steven Martinez

SUMMARY OF CHARGES

Counts 1 through 6: Title 18, United States Code, Section 1341 – Mail Fraud

Maximum Penalties: 20 years of imprisonment and a fine equal to twice the gross loss caused to persons by the offense

Counts 7 through 20: Title 26, United States Code, Section 7206(2) – Procuring False Tax Returns

Maximum Penalties: 3 years of imprisonment and \$250,000 fine per count

Counts 21 through 32: Title 42, United States Code, Section 408(a)(8) – Social Security Fraud

Maximum Penalties: 5 years of imprisonment and \$250,000 fine per count

Counts 33 through 44: Title 18, United States Code, Section 1028A – Aggravated Identity Theft

Maximum Penalties: At least one term of imprisonment of 2 years consecutive to any other sentence

Count 45 through 48: Title 26, United States Code, Section 7206(2) – Making False Tax Returns

Maximum Penalties: 3 years of imprisonment and \$250,000 fine per count

Count 49: Title 18, United States Code, Section 1957 – Money Laundering

Maximum Penalties: 10 years of imprisonment and \$250,000 fine

DEFENDANT

Criminal Case No. 11cr1395-LAB

John Leonard Camilo

SUMMARY OF CHARGES

Counts 1: Title 26, United States Code, Section 7206(2) – Procuring False Tax Returns

Maximum Penalties: 3 years of imprisonment and \$250,000 fine per count

Count 2: Title 18, United States Code, Section 1341 – Mail Fraud

Maximum Penalties: 20 years of imprisonment and a fine equal to twice the gross loss caused to persons by the offense

INVESTIGATING AGENCY

Internal Revenue Service, Criminal Investigation

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.