

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

***United States Attorney
Laura E. Duffy***

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For Immediate Release

North County Physician Charged with Obstructing and Impeding Collection of Taxes

NEWS RELEASE SUMMARY - July 3, 2012

United States Attorney Laura E. Duffy announced that Dr. James Francis Murphy, an osteopathic physician with practices in Encinitas, California, and Omaha, Nebraska, was arraigned in federal court in San Diego today on an indictment charging him with corrupt interference with the administration of the internal revenue laws, fraudulent use of fictitious financial obligations, and presenting false claims to the United States for fraudulent income tax refunds. Dr. Murphy's wife, Denine Christine Murphy, was also arraigned today; she is charged with corrupt interference with the administration of the internal revenue laws, and presenting false claims to the United States for fraudulent income tax refunds.

According to the indictment, the charges against Dr. Murphy stem from a decade long pattern of conduct which was intended to obstruct and impede the efforts of the Internal Revenue Service (IRS) to administer and enforce the tax laws of the United States.

According to the indictment, the defendants employed multiple means intended to obstruct and impede the efforts of the IRS, including: using a sham trust called Cornerstone Progressive Health (CPH) to hide and conceal the income earned from the practice of medicine by James Murphy. These means

included filing false personal federal income tax returns and then falsely claiming that the couple was due tax refunds of \$461,940.20 (2005), \$460,303.74 (2006), and \$314,102.90 (2007). In those tax years, the Murphys had, in fact, paid no taxes and were not entitled to any refund.

Other methods utilized by the Murphys to obstruct and impede the IRS included the presentation of fictitious: (1) "Bonded Promissory Notes" (2) "Private Discharging and Indemnity Bonds;" and (3) "Money Orders" – all of which falsely purported to pay federal income taxes. The indictment also alleges that the Murphys falsely accused an IRS employee of criminal conduct in order to intimidate the employee from performing his official duties.

The defendants will next appear before United States District Judge Anthony J. Battaglia for a motion hearing on August 3, 2012, at 11:00 a.m.

DEFENDANTS

Criminal Case No. 12cr02497-AJB

James Francis Murphy
Denine Christine Murphy

SUMMARY OF CHARGES

Count 1: Title 26, United States Code, Section 7212(a) – Corrupt Interference with Administration of the Internal Revenue Laws – both defendants. Maximum penalties: 3 years of imprisonment; \$5,000 fine; \$100 special assessment; 1 year of supervised release

Counts 2-5: Title 18, United States Code, Section 514 – Fictitious Financial Obligations – defendant James Francis Murphy. Maximum penalties per count: 25 years of imprisonment; \$250,000 fine or twice the gross pecuniary gain or twice the pecuniary loss (whichever is greatest), \$100 special assessment; 5 years of supervised release

Counts 6-8: Title 18 United States Code, Section 287 – False Claims – both defendants. Maximum penalties per count: 5 years of imprisonment; \$250,000 fine or twice the gross pecuniary gain or twice the pecuniary loss (whichever is greatest), \$100 special assessment; 3 years of supervised release

INVESTIGATING AGENCIES

Internal Revenue Service – Criminal Investigation
Department of the Treasury Inspector General for Tax Administration

An indictment is evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.