

NEWS RELEASE



***OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California***

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For Immediate Release

TAX PREPARERS ADMIT FILING FALSE INCOME TAX RETURNS FOR HOMELESS AND LOW INCOME CLIENTS

NEWS RELEASE SUMMARY - October 11, 2012

United States Attorney Laura E. Duffy announced that San Diego-based tax preparers Raymond Isaiah Konkus and Justin James Petersen pled guilty to preparing and filing dozens of false and fraudulent federal income tax returns (between 2008-2010) by actively soliciting clients from homeless shelters and other areas frequented by low-income individuals. Defendants Konkus and Petersen also pled guilty to dodging their own personal tax obligations during the same time they operated the fraudulent tax preparation business.

The defendants, who pled guilty before Magistrate Judge Karen S. Crawford, admitted in court documents and at today's hearing that they were partners in a tax preparation business located at 594 Front

Street in El Cajon, California. They operated the business under the name of SoCal Consulting and Tax Preparation, but referred to it as "Street Angels" – because the defendants' business model consisted of soliciting clients from extremely poor neighborhoods and homeless shelters. Although these individuals were not entitled to tax refunds, the scheme worked because Konkus and Petersen filed false claims seeking an Earned Income Credit ("EIC") on the filer's behalf. EIC is a refundable federal income tax credit for low to moderate income working individuals and families to offset the burden of social security taxes and to provide an incentive to work. When EIC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit.

According to court documents and admissions in court, Konkus and Petersen solicited clients by offering to prepare federal tax returns that would generate EIC refunds. In exchange, the defendants charged a portion of the anticipated refund or EIC payment as a fee. To generate these refunds (and substantial tax preparation fees), Konkus and Petersen knowingly prepared and filed tax returns on behalf of their clients that contained inflated income figures and other falsities that caused the IRS to issue refunds/EIC payments to the individuals with losses approaching \$200,000.

In addition, each defendant admitted that his own personal federal tax returns for the years 2008, 2009 and 2010 were false because they omitted substantial sums of income generated from this tax preparation business. Each defendant admitted that his false personal income tax returns resulted in a total tax loss of over \$35,000.

The defendants' pleas are subject to final acceptance by United States District Judge Anthony J. Battaglia. Each defendant was released on bond pending a sentencing hearing, which is scheduled for January 4, 2013, before Judge Battaglia.

DEFENDANTS

Case Number: 12CR4070-AJB

Raymond Isaiah Konkus

Justin Petersen

SUMMARY OF CHARGES

- Count 1: Title 18, United States Code, Section 286 (Conspiracy to defraud the Government with respect to claims) – both defendants
Maximum penalties: 10 years of custody; \$250,000 Fine; mandatory restitution
- Count 2: Title 26, United States Code, Section 7206(1) (Filing false tax return) – Defendant Konkus
Maximum penalties: 3 years of custody; \$250,000 Fine; costs of prosecution
- Count 3: Title 26, United States Code, Section 7206(1) (Filing false tax return) – Defendant Petersen
Maximum penalties: 3 years of custody; \$250,000 Fine; costs of prosecution

AGENCY

Internal Revenue Service, Criminal Investigation