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**TEN DEFENDANTS INDICTED IN \$35 MILLION TAX FRAUD CONSPIRACY;
3,300 FALSE TAX RETURNS FILED IN NAMES OF FEDERAL PRISON INMATES**

Alleged ringleader Marvin Berkowitz arrested in Israel where he directed scheme

CHICAGO — A former Chicago man living in Israel since 2003, two of his sons and a son-in-law living in Chicago and Los Angeles were arrested and are among 10 defendants indicted on federal tax fraud conspiracy charges for allegedly seeking to obtain more than \$35 million in federal and state income tax refunds using the identities of some 3,300 federal prison inmates, federal officials announced today. The fraudulent claims for refunds caused the Internal Revenue Service to issue actual tax refunds totaling more than \$1.5 million, and various states to issue tax refunds exceeding \$2.5 million, according to the indictment. Defendant **Marvin Berkowitz**, who allegedly directed the fraud ring from Jerusalem, where he was arrested by Israeli authorities last night, allegedly caused at least \$800,000 in tax refunds to be paid to, or for the benefit of, at least eight members of his family, including defendants **Yair Berkowitz and Eric Berkowitz**, his son and son-in-law, respectively, who were arrested last night in Chicago, and **David Berkowitz**, another son, who was arrested in the Los Angeles area.

The four Berkowitz men and six other defendants were charged by a federal grand jury in Chicago in a 41-count indictment that was returned in February this year and unsealed today. The indictment remained sealed since February to coordinate the investigation and arrests with Israel. In all, two defendants were arrested in Israel, two in Chicago, one in Los Angeles and one in Michigan, while three other Chicago area defendants are expected to appear in court here at later dates, and one remaining defendant, who is believed to be in Israel is still being sought. The arrests and charges were announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and Alvin Patton, Special Agent-in-Charge of the IRS Criminal Investigation Division in Chicago. U.S. Immigration and Customs Enforcement (ICE) and the U.S. Postal Inspection Service also assisted in the investigation, along with the U.S. Department of State Regional Security Office in Jerusalem and Israeli authorities.

Yair Berkowitz and Eric Berkowitz were scheduled to appear at 1:30 this afternoon before Judge Virginia Kendall in U.S. District Court in Chicago.

All 10 defendants were each charged with one count of conspiracy to defraud the United States — specifically, by impeding the IRS in the collection of income taxes, as well as defrauding numerous state revenue departments, and each were charged with one or more counts of mail and/or wire fraud. Marvin Berkowitz alone was also charged with six counts of identity theft. The indictment also seeks forfeiture of \$4 million. The defendants are:

Marvin Berkowitz, also known as “Marvin Berk,” and “Joseph Berkovicz,” 62, formerly of Chicago and arrested in Jerusalem; 34 counts of mail/wire fraud and 6 counts of identity theft;

David Berkowitz, 32, of Hollywood, Ca., Marvin Berkowitz’s son; arrested in the Los Angeles area;

Eric Berkowitz, 33, of Chicago; Marvin Berkowitz’s son-in-law, arrested here;

Yair Berkowitz, 26, of Chicago; Marvin Berkowitz’s son, arrested here;

Fernando Benalcazar, 48, of Warrenville, Il., will be arraigned at a later date;

Marvin Harris, 75, of Chicago, was arrested in Michigan;

Yousef Lefkowitz, 26, formerly of Brooklyn, N.Y., and living in Israel;

Christopher Moore, 44, of East Hazelcrest, Il., will be arraigned at a later date;

Kevin Murray, 54, of Berkeley, Il., will be arraigned at a later date; and

Franklin Novak, 61, formerly of Charlotte, N.C., and living in Jerusalem where he was arrested.

According to the indictment, all 10 defendants conspired to defraud the IRS and state tax agencies beginning no later than 2003 and continuing to February 2009. Marvin Berkowitz recruited and enlisted dozens of co-conspirators and associates to submit more than 2,900 federal income tax returns and more than 400 false state income tax returns, which were filed in the names and social security numbers of federal inmates without their knowledge or consent. The false returns included various fictitious and false items, including addresses and phone numbers, deductions, business losses and expenses, credits, and W-2 wage and 1099 income statements of earnings from employers. As a result, these false returns claimed tax refunds, with the IRS and various states issuing refunds by check or direct deposit totaling more than \$4 million. Defendants Benalcazar, Harris, Moore, Murray and Novak, set up various sham businesses and bank accounts to receive the bogus tax refund payments, then issued checks from those bank accounts, or in some instances paid cash, to Marvin Berkowitz and members of his family, while retaining a commission — typically 10 percent — of the tax refund proceeds they handled for themselves.

In some instances, tax refund checks were sent to Marvin Berkowitz at “Garfinkel, Berkowitz and Abramson Law Office” in Jerusalem, the indictment states.

Marvin Berkowitz allegedly recruited and paid others to travel to various federal courthouses to collect certain personal information about federal inmates, including social security numbers and offenses of conviction, and provide him with that information. He then recruited and paid others to assist him in the preparation of individual federal and state income tax returns using the inmates’

stolen identities. Various defendants then allegedly forged and caused the forging of the inmates' signatures on the fraudulent returns or prepared and filed IRS forms authorizing the false returns to be filed electronically. The false returns directed that the federal and state tax refunds be mailed or direct deposited to dozens of addresses and bank accounts throughout the United States and Israel to which the defendants had access and control. The refund checks were then cashed at banks or a currency exchange, and the proceeds were split among the defendants and distributed to additional members of the Berkowitz family, the indictment alleges.

The government is being represented by Assistant U.S. Attorneys Charles Ex and Maureen Merin.

If convicted, tax fraud conspiracy carries a maximum penalty of 5 years in prison, while each count of mail/wire fraud carries a maximum of 20 years in prison, and each count carries a maximum fine of \$250,000. The identity theft counts against Marvin Berkowitz alone each carry a mandatory penalty of 2 years in prison and a \$250,000 fine. The Court, however, would determine the appropriate sentence to be imposed under the advisory United States Sentencing Guidelines.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the United States has the burden of proving guilt beyond a reasonable doubt.

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