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Southern District of New York*

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**TAX-REFUND SCHEME EXPLOITING SOCIAL SECURITY NUMBERS OF  
RESIDENTS OF PUERTO RICO LEADS TO 57 MONTH SENTENCE**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, PATRICIA J. HAYNES, the Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service, Criminal Investigation Division ("IRS-CID"), JOSEPH M. DEMAREST, JR., the Assistant Director-in-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), and JANE HUGHES, the Special Agent-in-Charge of the New York Office of the United States Postal Service, Office of Inspector General ("USPS-OIG"), announced that LUIS MERCEDES, a/k/a "Alfred," was sentenced yesterday by United States District Judge PAUL G. GARDEPHE to 57 months in prison on charges of conspiracy to steal mail, theft of mail, and conspiracy to defraud the Government with respect to claims.

According to the Information filed in Manhattan federal court, to which MERCEDES previously pleaded guilty, as well as other documents filed in the case and statements made during his guilty plea and sentencing proceedings:

This case stems from a two-year investigation into the use of stolen Social Security numbers and other identity information to submit fraudulent state and federal tax returns. The investigation to date involves the electronic filing of tens of thousands of fraudulent federal tax returns, and tens of millions of dollars of fraudulently obtained tax refunds and stimulus checks. Social Security numbers assigned to residents of the Commonwealth of Puerto Rico are specifically targeted for use in obtaining fraudulent refunds because residents of Puerto Rico whose income derives solely from Puerto Rican sources are generally not required to file federal tax returns with the IRS. This minimizes the risk that a legitimate federal tax return was already filed by the owner of the Social Security number.

One way participants in the scheme arranged to actually obtain the fraudulent refund checks was to request the IRS to mail them to addresses that were on particular United States Postal Service routes. The letter carriers on those routes would be paid to steal the checks from the mail, normally for a per-check fee.

In this case, from mid-2007 through early September 2008, refund checks totaling approximately \$2.9 million were directed to the Manhattan postal route of a particular letter carrier. These checks stemmed from more than 1,000 fraudulent federal tax returns, seeking over \$9.5 million in refunds, that were filed with the IRS. The letter carrier stole over 400 tax refund and stimulus checks from the mail and provided them to MERCEDES. MERCEDES was arrested on September 3, 2008, as he was taking possession of decoy checks that had been inserted into the mail by investigators, as well as additional tax refund checks, from the corrupt letter carrier.

Prior to his arrest in September 2008, MERCEDES, 34, resided in Manhattan. MERCEDES pled guilty to the charges on February 4, 2009 and was detained.

In addition to the prison term, MERCEDES was sentenced to two years of supervised release, ordered to pay approximately \$2.9 million in restitution and to forfeit two cars traceable to the fraud.

Mr. DASSIN praised the work of the IRS-CID, the FBI, the USPIS, and the USPS-OIG, and thanked them for their work in this case.

This case is being prosecuted by the Office's Major Crimes Unit. Assistant United States Attorney DANIEL W. LEVY is are in charge of the prosecution.

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