



*United States Attorney  
Southern District of New York*

**FOR IMMEDIATE RELEASE  
SEPTEMBER 22, 2009**

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**GUILTY PLEA IN MANHATTAN FEDERAL COURT IN MULTIMILLION-  
DOLLAR TAX REFUND AND THEFT OF MAIL SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today that JOSE FRANKLIN DUARTE pleaded guilty late yesterday before United States District Judge HAROLD BAER, JR., to his role in a scheme to fraudulently obtain millions of dollars in federal tax refund checks and then to steal the checks from U.S. mail.

According to the Superseding Information filed yesterday in federal court, statements made during DUARTE's guilty plea, and a criminal Complaint unsealed on Wednesday, February 25, 2009:

The fraudulent scheme involved the electronic filing of thousands of tax returns using Social Security numbers assigned to residents of the Commonwealth of Puerto Rico. Residents of Puerto Rico are issued Social Security numbers, but typically do not file federal tax returns with the Internal Revenue Service ("IRS") because, in general, such filing is not required as long as all of the Puerto Rico resident's income is derived from Puerto Rican sources. The fraudulent tax returns falsely claimed that the filer resided in one of the fifty states of the United States. The use of Puerto Rican Social Security numbers minimized the risk that a legitimate federal tax return was already filed by the legitimate holder of the Social Security number.

From August 2008 to February 2009, DUARTE's co-conspirators filed over 9,000 U.S. Individual Income Tax Returns and Forms 1040 for tax years 2007 and 2008 with the IRS that contained information connected to the stolen Social Security numbers of Puerto Rican residents. The false returns and forms all sought refunds totaling over \$91 million dollars to be sent in the form of U.S. Treasury checks via U.S. mail. One of DUARTE's co-conspirators ("CC-1") was a letter carrier employed by the U.S. Postal Service who delivered mail in the Bronx. In

November 2008, DUARTE and his co-conspirator paid CC-1 cash in exchange for the mail containing the fraudulently-obtained U.S. Treasury checks addressed to the buildings on CC-1's route. The actual amount of tax refund checks stolen by DUARTE and his co-conspirators during tax year 2008 was over \$750,000.

DUARTE, 37, of the Bronx, New York, pleaded guilty to one count of conspiracy to steal mail, one count of theft of mail, and one count of conspiracy to defraud the Government with respect to claims. He faces a maximum of 20 years in prison: 5 years in prison on the conspiracy to steal mail count; 5 years in prison on the theft of mail count; and 10 years on the conspiracy to defraud the Government with respect to claims count. On each count, he faces a fine of the maximum of \$250,000 or twice the gross pecuniary gain or twice the gross pecuniary loss resulting from the offenses. DUARTE also faces restitution to be paid to the IRS.

DUARTE is scheduled to be sentenced by Judge BAER on January 7, 2010, at 12:30 p.m.

Mr. BHARARA praised the work of IRS Criminal Investigation Division, the Federal Bureau of Investigation, the United States Postal Inspection Service, and the United States Postal Service Office of Inspector General, and thanked them for their work in this case.

Mr. BHARARA also thanked the Dominican National Police, the Attorney General of the Dominican Republic, and Prosecutor of the Judicial District of Santiago, Dominican Republic, for their assistance and cooperation in this investigation.

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

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