

FILED

FEB 18 2016

U.S. DISTRICT COURT
EASTERN DISTRICT OF MO
ST. LOUIS

UNITED STATES OF AMERICA,

Plaintiff,

V.

SEMERE TSEHAYE

Defendants.

No.

4:16CR0069 CDP/DDN

INDICTMENT

The Grand Jury charges that:

Introduction

At all times relevant to this Indictment:

1. Defendant SEMERE TSEHAYE (“TSEHAYE”) was a resident of St. Louis, Missouri.
2. Defendant TSEHAYE owned and operated at least twenty separate tax preparation business locations using the franchise brand name Instant Tax Service (“ITS”) in and around St. Louis, Missouri; East St. Louis, Illinois; Kansas City, Kansas; and Kansas City, Missouri.
3. The Internal Revenue Service (“IRS”) is an agency within the United States Department of the Treasury responsible for administering the tax laws and collecting taxes owed to the United States.
4. An U.S. Individual Income Tax Return, Form 1040 (“Form 1040”) is a form filed with the IRS by most United States taxpayers to report their income, deductible expenses,

credits, and taxes due for the individual taxpayer's preceding tax year. A Schedule C is a schedule that may be attached to a Form 1040 to report income or loss from a business operated as a sole proprietorship.

Tsehay's Tax Preparation Business

5. ITS Financial, LLC ("ITS Financial") was an entity headquartered in Dayton, Ohio and was the national franchisor of ITS. In or about 2012, ITS Financial relocated to Beaver Creek, Ohio. ITS was a brand name for a nationwide tax preparation franchise business started in 2004 and marketed throughout the United States.

6. From in or about 2005 through 2011, Defendant TSEHAYE owned and operated his ITS franchise locations using two different companies:

a. A&S Tax Service, LLC, d/b/a ITS ("A&S") was a sole proprietorship that controlled the operations of Defendant TSEHAYE's multiple ITS franchise locations in and around Kansas City, Kansas, and Kansas City, Missouri areas.

b. ERI Enterprises, LLC d/b/a ITS ("ERI") was a sole proprietorship that controlled the operations of Defendant TSEHAYE's ITS franchise locations in and around St. Louis, Missouri, and East St. Louis, Illinois.

7. From approximately 2010 through 2011, ITS Financial collected specified royalty and advertising expenses from each ITS franchise owner from funds earned by each franchise owner, then disbursed the remaining funds to each franchise owner's designated business bank account ("net disbursement").

8. From approximately 2010 through 2011, ITS Financial provided each franchise owner in writing the amounts of royalty and advertising expenses deducted from each franchise owner's gross revenue and the amount of each franchise owner's net disbursement.

COUNT I
(Tax Evasion)

9. The allegations contained in Paragraphs 1 through 8 of this Indictment are re-alleged and incorporated as if fully set forth herein.

10. On or about June 20, 2011, in the Eastern District of Missouri Eastern Division and elsewhere, Defendant

SEMERE TSEHAYE,

a resident of St. Louis, Missouri, did willfully attempt to evade and defeat a large part of the income tax due and owing by him and his wife to the United States of America for the 2010 tax year by committing the following affirmative acts, among others:

- a) Generating false financial summaries that fraudulently understated the gross receipts earned by A&S and ERI, by mischaracterizing net disbursements from ITS Financial as the respective gross receipts of A&S and ERI and omitting ITS Financial's deductions of royalty and advertising fees from gross revenue ("A&S and ERI false financial summaries") for tax year 2010;
- b) Providing to his tax return preparer false financial statements for his companies A&S and ERI for the purpose of causing his tax return preparer to prepare his false and fraudulent Form 1040 for the 2010 tax year for filing with the IRS.

- c) Causing the filing with the IRS of his false Form 1040 for the 2010 tax year with the IRS, with attached Schedules C which underreported the gross receipts generated by A&S and ERI by a total of approximately \$506,739.

(All in violation of Title 26, United States Code, Section 7201)

COUNT 2
(Tax Evasion)

11. The allegations contained in Paragraphs 1 through 8 of this Indictment are re-alleged and incorporated as if fully set forth herein.

12. On or about October 5, 2012, in the Eastern District of Missouri Eastern Division and elsewhere, Defendant

SEMERE TSEHAYE,

a resident of St. Louis, Missouri, did willfully attempt to evade and defeat a large part of the income tax due and owing by him and his wife to the United States of America for the 2011 tax year by committing the following affirmative acts, among others:

- a) Generating A&S and ERI false financial summaries for tax year 2011;
- b) Providing to his tax return preparer false financial statements for his companies A&S and ERI for the purpose of causing his tax return preparer to prepare his false and fraudulent Form 1040 for the 2011 tax year for filing with the IRS.
- c) Causing the filing with the IRS of his false Form 1040 for the 2011 tax year with the IRS, with attached Schedules C which underreported the gross receipts generated by A&S and ERI by a total of approximately \$1,030,686.

(All in violation of Title 26, United States Code, Section 7201)

A TRUE BILL

FOREPERSON

RICHARD G. CALLAHAN
United States Attorney

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Trial Attorney
Department of Justice, Tax Division