

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF RHODE ISLAND

UNITED STATES OF AMERICA

v.

BILLIE R. SCHOFIELD

~~CR~~ 18 39 JJM

In violation of:

26 U.S.C. § 7212(a) (Corruptly
Endeavoring to Impede the Due
Administration of the Internal Revenue
Laws)

26 U.S.C. § 7201 (Tax Evasion)

18 U.S.C. § 1623 (False Declarations
Before Grand Jury)

INDICTMENT

The United States Attorney charges that:

INTRODUCTION

FILED
MAR 27 2018
U.S. DISTRICT COURT
DISTRICT OF RHODE ISLAND

1. At all times relevant to this Indictment,
 - a. Defendant BILLIE R. SCHOFIELD ("SCHOFIELD") resided in Rhode Island.
 - b. The Internal Revenue Service ("IRS") was an agency of the United States Department of Treasury responsible for administering the tax laws, including the ascertainment, computation, assessment and collection of tax, including income taxes.
 - c. An IRS Form 1040, U.S. Individual Income Tax Return, Form 1040 ("Form 1040") was an income tax return filed with the IRS by citizens and residents of the United States and reports, among other things, income and

deductions to determine the amount of tax owed or the amount to be refunded to the taxpayer.

- d. An IRS Form 1040X, Amended U.S. Individual Income Tax Return, was an income tax returned filed with the IRS by citizens and residents of the United States which corrects and amends previously filed Forms 1040, 1040A, 1040EZ, 1040NR, or 1040NR-EZ.
- e. An IRS Form 1065, U.S. Return of Partnership Income, was an information return filed with the IRS by partnerships to report the individual partners' income, gains, losses, deductions, credits, etc. A partnership does not pay tax on its income but "passes through" any profits or losses to its partners.
- f. An IRS Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., was a tax document issued to a partner reporting an investment in a partnership interest that reports a partner's share of the partnership's income, deductions, credits, etc., with the IRS.
- g. An IRS Form 1099-MISC, Miscellaneous Income, reports payments made in the course of a trade or business to a person who is not an employee or to an unincorporated business for payments of \$600 or more in compensation.
- h. An IRS Form 433-A (OIC), Collection Information Statement for Wage Earners and Self-Employed Individuals, was an IRS document that taxpayers

complete to report assets and income to the IRS to negotiate a payment plan. By filling out Form 433-A the taxpayer provides detailed and accurate financial information to the IRS.

i. A federal tax lien is the government's legal claim against a taxpayer's property when that taxpayer owes taxes and has failed to pay the tax debt.

The lien protects the government's interest in the taxpayer's property, including real estate, personal property and financial assets.

j. A levy is an IRS collection tool that enables the IRS to collect outstanding taxes due from a delinquent taxpayer through third party payors.

k. Northern Pelagic, LLC ("Norpel") was a seafood processing business located in New Bedford, Massachusetts with an office in Middletown, RI and operated by a group of partners, to include SCHOFIELD. Norpel had a number of affiliate corporations, to include Neptune Trading, Inc ("Neptune").

l. From 2005 through 2016, SCHOFIELD held a minority partnership interest in Norpel and its affiliates.

m. Sundown Services, LLC ("Sundown") was a business through which SCHOFIELD received compensation for services, including webhosting and consulting. Sundown purported to be organized in New Mexico with a mailing address located in Fairbanks, Alaska although SCHOFIELD, the sole

individual associated with Sundown, resided in Rhode Island and conducted business primarily in Rhode Island and Massachusetts.

SCHOFIELD's Income

2. Between in or about 2002 through 2016, SCHOFIELD earned income from his partnership interests in Norpel and its affiliates.
3. Between in or about 2002 through November of 2015, SCHOFIELD served as the General Manager of Norpel. During that time SCHOFIELD received compensation for his work as General Manager.
4. Between in or about November of 2010 through October of 2013, SCHOFIELD received commissions for brokering fish transactions.
5. Between in or about October of 2012 through May of 2016, SCHOFIELD sold seafood products on behalf of Neptune Supply Group, Inc., and received commissions and other compensation for the sales he made.
6. Between on or about January of 2013 and on or about December of 2017, SCHOFIELD received compensation through Sundown Services for services including webhosting and consulting. SCHOFIELD also received commissions or other compensation through Sundown Services from Norpel and the affiliates.
7. Between in or about September of 2011 through April of 2012, SCHOFIELD received proceeds from his manufacture and sale of marihuana in the State of Rhode Island.

SCHOFIELD'S Tax Filing History from 2005 through 2016

8. On or about April 13, 2006, SCHOFIELD filed a Form 1040 for tax year 2005. The return reported total income of \$208,881 and a tax due and owing of \$32,115.
9. On or about October 6, 2007, SCHOFIELD filed a Form 1040 for tax year 2006 on which he falsely reported his total income.
10. In or about August of 2008, SCHOFIELD filed a fraudulent IRS Form 1040X for the 2005 tax year in which he falsely reported that his income tax liability was \$0.
11. For 2007 and 2008, SCHOFIELD filed Forms 1040 on which he falsely reported only the interest income he earned while neglecting to report income from other sources.
12. SCHOFIELD did not file personal tax returns or pay taxes for the years 2009 through 2016.
13. The IRS assessed additional tax against SCHOFIELD for tax years 2006 through 2009.
14. By Notice dated March 2, 2009, the IRS informed SCHOFIELD it had corrected his 2006 account by including unreported income, to include Schedule E income and interest and/or dividend income. The result of the change was an increase in tax owed, additional late payment penalties and additional interest charged.

15. By Notices dated December 20, 2010 and February 7, 2011, the IRS assessed SCHOFIELD penalties for filing tax returns for the tax years 2005 and 2008 that reported a false amount of income.

SCHOFIELD's Evasion of Payment

16. Between on or about August of 2008 and on or about August of 2009, SCHOFIELD submitted numerous false tax returns and documents to the IRS for tax years 2005 - 2008, including, but not limited to:

- a. Forms 1040X, for tax years 2005 and 2006;
- b. Correction Affidavit to the IRS falsely stating that the self-employment earnings reported for tax year 2005 were incorrect and that his actual earnings were zero;
- c. Forms 4852, Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.; and,
- d. Forms 1040 for tax years 2007 and 2008.

17. In or about April 2012, SCHOFIELD created and mailed five fraudulent "checks" to the IRS totaling \$61,623.88 for the discharge of debt related to tax years 2005 - 2008. SCHOFIELD sent these fraudulent checks to the IRS in response to an IRS lien that was recorded in Tiverton, Rhode Island against Schofield.

18. On or about August 9, 2012, SCHOFIELD mailed a fraudulent check made payable to the United States Treasury in the amount of \$48,444.37 for the discharge of his debt to the IRS.

19. In or about January 2013, SCHOFIELD, in response to notices from the IRS, directed NORPEL to not pay him a salary until further notice which lasted until in and around January of 2014.

20. On or about December 16, 2013, SCHOFIELD filed an Offer in Compromise ("OIC") with the IRS with respect to his tax liability for tax years 2005 - 2009 in which he falsely claimed that he was unable to work, falsely claimed he did not own any assets and failed to disclose his partnership interest in Norpel and its affiliates.

21. In or about October of 2015, SCHOFIELD, who worked at Norpel's New Bedford, MA location, intercepted IRS levies sent to Norpel's New Bedford address prior to their delivery to Norpel's controller.

SCHOFIELD's Evasion of Assessment

22. Between on or about January of 2011 through April of 2017, SCHOFIELD failed to file a tax return for each of the tax years 2010 - 2016 despite earning income amounts each year. SCHOFIELD's unreported income for tax years 2010 through 2016 was approximately \$730,000.

23. Between on or about February of 2010 through October of 2015, SCHOFIELD cashed over \$180,000.00 in checks made payable to him from Norpel and its affiliates.

24. On or about July 19, 2012, SCHOFIELD deposited a \$30,000 check made payable to him from Norpel into a third party's bank account at Citizens Bank. This check was compensation for a partnership distribution and was income to SCHOFIELD.

25. Between on or about January of 2013 through February of 2014, SCHOFIELD sent fraudulent documents to the IRS, in which (a) he sought refunds to which he was not entitled; (b) he wrongfully asserted that he had not engaged in any "taxable activity," and, (c) he falsely claimed that the forms filed by Norpel or its affiliates with the IRS reporting income to SCHOFIELD were fraudulent.

26. Between on or about January of 2013 through December of 2017, SCHOFIELD operated Sundown and caused a third party to open a bank account in the name of Sundown (hereinafter "the Sundown account").

27. Between on or about January of 2013 through January of 2017, SCHOFIELD deposited into the Sundown account cash and checks made payable to Sundown for services rendered by SCHOFIELD. SCHOFIELD deposited these checks into the Sundown account.

28. Between on or about October of 2012 through December of 2016, SCHOFIELD caused Norpel, Neptune, and a third business for whom SCHOFIELD worked to compensate him for services rendered by making checks payable to Sundown.

COUNT 1

26 U.S.C. § 7212(a) - Corruptly Endeavoring to Obstruct the IRS

29. The Grand Jury realleges and incorporates by reference paragraphs 1 – 28 of this Indictment in their entirety as though fully set forth herein.

30. Beginning in or about 2005, and continuing until and including in or about February 27, 2018, in the District of Rhode Island and elsewhere, the defendant,

BILLIE R. SCHOFIELD

did corruptly endeavor to obstruct and impede the due administration of the internal revenue laws knowing that he was the subject of IRS activity, by filing a false income tax return, failing to file tax returns or pay any taxes on the income earned, and by committing the following acts, among other things:

- a. Filing fraudulent Forms 1040X for the years 2005 and 2006;
- b. Filing fraudulent Forms 1040 for the years 2007 and 2008;
- c. Intercepting and concealing IRS Notices of Levy from Norpel and its affiliates;
- d. Directing that Norpel not pay him a salary for the 2013 tax year in order to prevent the IRS from garnishing his wages;
- e. Creating and using a nominee entity, Sundown;
- f. Opening and using a bank account in the name of Sundown;

g. Creating fraudulent checks on a non-existent Sovereign Bank checking account and submitting the checks from that account to the IRS in purported satisfaction of income tax owed which caused the IRS to remove liens placed against his property;

h. Negotiating checks from Norpel and its affiliates to cash;

i. Submitting misleading documents to the IRS in response to IRS correspondence explaining to SCHOFIELD that he owed income taxes.

All in violation of 26 U.S.C. § 7212(a).

COUNT 2

26 U.S.C. § 7201 - Tax Evasion

(Evasion of Payment for Tax Years 2005 - 2009)

31. The Grand Jury realleges and incorporates by reference paragraphs 1 - 28 of this Indictment in their entirety as though fully set forth herein.

32. From in or about October of 2007 through 2015, in the District of Rhode Island and elsewhere, the defendant,

BILLIE R. SCHOFIELD

a resident of Rhode Island, willfully attempted to evade and defeat the payment of income tax due and owing by him to the United States of America for assessments for the years 2005 - 2009, by committing the following affirmative acts, among others:

a. concealing IRS Notices of Levy from Norpel and its affiliates;

b. using nominees to hide his personal income;

- c. submitting fraudulent checks to the IRS in satisfaction of his tax liability;
- d. directing that he not be paid a salary for services rendered;
- e. negotiating income checks to cash; and
- f. submitting misleading documents to the IRS with respect to his tax liability.

All in violation of 26 U.S.C. § 7201.

COUNT 3
26 U.S.C. § 7201 - Tax Evasion
(Evasion of Assessment (Spies Evasion) for Tax Year 2010)

33. The Grand Jury realleges and incorporates by reference paragraphs 1 - 28 of this Indictment in their entirety as though fully set forth herein.

34. From on or about January 1, 2010 through April 18, 2011, in the District of Rhode Island and elsewhere, the defendant,

BILLIE R. SCHOFIELD

a resident of Rhode Island, received taxable income, upon which there was an income tax due and owing to the United States of America. Knowing the foregoing facts and failing to make an income tax return on or before the due date in the respective tax year, as required by law, to any proper officer of the Internal Revenue Service, and to pay the income tax to the Internal Revenue Service, Defendant did willfully attempt to evade and defeat the assessment of income tax due and owing by him to the United States of America for the 2010 tax year by the following affirmative act, among others: (1) cashing checks made payable to him from Norpel

and its affiliates; (2) sending on or about January 9, 2013, a certified letter to the IRS falsely claiming that the third-party information returns filed by Norpel and its affiliates reporting income to him in 2010 were fraudulent.

In violation of 26 U.S.C. § 7201.

COUNT 4
26 U.S.C. § 7201 - Tax Evasion
(Evasion of Assessment (Spies Evasion) for Tax Year 2011

35. The Grand Jury realleges and incorporates by reference paragraphs 1 - 28 of this Indictment in their entirety as though fully set forth herein.

36. From on or about January 1, 2011 through April 17, 2012, in the District of Rhode Island and elsewhere, the defendant,

BILLIE R. SCHOFIELD

a resident of Rhode Island, received taxable income, upon which there was an income tax due and owing to the United States of America. Knowing the foregoing facts and failing to make an income tax return on or before the due date in the respective tax year, as required by law, to any proper officer of the Internal Revenue Service, and to pay the income tax to the Internal Revenue Service, Defendant did willfully attempt to evade and defeat the assessment of income tax due and owing by him to the United States of America for the 2011 tax year by the following affirmative act, among others: sending on or about January 9, 2013, a certified letter to the IRS falsely claiming that the third-party information returns filed by Norpel and its affiliates reporting income to him in 2011 were fraudulent.

COUNT 5
26 U.S.C. § 7201 - Tax Evasion
(Evasion of Assessment (Spies Evasion) for Tax Year 2012)

37. The Grand Jury realleges and incorporates by reference paragraphs 1 - 28 of this Indictment in their entirety as though fully set forth herein.

38. From on or about January 1, 2012 through April 15, 2013, in the District of Rhode Island and elsewhere, the defendant,

BILLIE R. SCHOFIELD

a resident of Rhode Island, received taxable income, upon which there was an income tax due and owing to the United States of America. Knowing the foregoing facts and failing to make an income tax return on or before the due date in the respective tax year, as required by law, to any proper officer of the Internal Revenue Service, and to pay the income tax to the Internal Revenue Service, Defendant did willfully attempt to evade and defeat the assessment of income tax due and owing by him to the United States of America for the 2012 tax year by the following affirmative act, among others: (1) depositing a third party check made payable to him from Norpel into a third party's bank account at Citizens Bank; (2) sending on or about February 10, 2014, a certified letter to the IRS falsely claiming that the third-party information returns filed by Norpel and its affiliates reporting income to him in 2012 were fraudulent.

COUNT 6
26 U.S.C. § 7201 - Tax Evasion
(Evasion of Assessment (Spies Evasion) for Tax Year 2013)

39. The Grand Jury realleges and incorporates by reference paragraphs 1 - 28 of this Indictment in their entirety as though fully set forth herein.

40. From on or about January 1, 2013 through April 15, 2014, in the District of Rhode Island and elsewhere, the defendant,

BILLIE R. SCHOFIELD

a resident of Rhode Island, received taxable income, upon which there was an income tax due and owing to the United States of America. Knowing the foregoing facts and failing to make an income tax return on or before the due date in the respective tax year, as required by law, to any proper officer of the IRS, and to pay the income tax to the Internal Revenue Service, Defendant did willfully attempt to evade and defeat the assessment of income tax due and owing by him to the United States of America for the 2013 tax year by the following affirmative act, among others: (1) causing on or about January 18, 2013, a nominee to open a bank account in the name of Sundown; (2) depositing into the Sundown account cash and checks made payable to Sundown for services rendered.

COUNT 7
26 U.S.C. § 7201 - Tax Evasion
(Evasion of Assessment (Spies Evasion) for Tax Year 2014)

41. The Grand Jury realleges and incorporates by reference paragraphs 1 - 28 of this Indictment in their entirety as though fully set forth herein.

42. From on or about January 1, 2014 through April 15, 2015, in the District of Rhode Island and elsewhere, the defendant,

BILLIE R. SCHOFIELD

a resident of Rhode Island, received taxable income, upon which there was an income tax due and owing to the United States of America. Knowing the foregoing facts and failing to make an income tax return on or before the due date in the respective tax year, as required by law, to any proper officer of the IRS, and to pay the income tax to the Internal Revenue Service, Defendant did willfully attempt to evade and defeat the assessment of income tax due and owing by him to the United States of America for the 2014 tax year by the following affirmative act, among others: depositing \$35,000.00 of checks made payable to Sundown for services rendered by SCHOFIELD into the Sundown account.

COUNT 8

26 U.S.C. § 7201 - Tax Evasion

(Evasion of Assessment (Spies Evasion) for Tax Year 2015)

43. The Grand Jury realleges and incorporates by reference paragraphs 1 - 28 of this Indictment in their entirety as though fully set forth herein.

44. From on or about January 1, 2015 through April 18, 2016, in the District of Rhode Island and elsewhere, the defendant,

BILLIE R. SCHOFIELD

a resident of Rhode Island, received taxable income, upon which there was an income tax due and owing to the United States of America. Knowing the foregoing

facts and failing to make an income tax return on or before the due date in the respective tax year, as required by law, to any proper officer of the Internal Revenue Service, and to pay the income tax to the Internal Revenue Service, Defendant did willfully attempt to evade and defeat the assessment of income tax due and owing by him to the United States of America for the 2015 tax year by the following affirmative act, among others: (1) depositing over \$21,000 worth of checks made payable to Sundown for services rendered by SCHOFIELD into the nominee bank account and, (2) negotiating over \$62,000.00 in checks made payable to him.

COUNT 9
26 U.S.C. § 7201 - Tax Evasion
(Evasion of Assessment (Spies Evasion) for Tax Year 2016)

45. The Grand Jury realleges and incorporates by reference paragraphs 1 - 28 of this Indictment in their entirety as though fully set forth herein.

46. From on or about January 1, 2016 through April 18, 2017, in the District of Rhode Island and elsewhere, the defendant,

BILLIE R. SCHOFIELD

a resident of Rhode Island, received taxable income, upon which there was an income tax due and owing to the United States of America. Knowing the foregoing facts and failing to make an income tax return on or before the due date in the respective tax year, as required by law, to any proper officer of the Internal Revenue Service, and to pay the income tax to the Internal Revenue Service, Defendant did willfully attempt to evade and defeat the assessment of income tax due and owing

by him to the United States of America for the 2016 tax year by the following acts, among others: depositing over \$38,000 worth of checks made payable to Sundown for services rendered by SCHOFIELD into the Sundown account.

COUNT 10
18 U.S.C. § 1623 - False Declarations before Grand Jury

47. On or about February 27, 2018, in the District of Rhode Island, the defendant, BILLIE SCHOFIELD, while under oath and testifying in a proceeding before a Grand Jury of the United States in the District of Rhode Island, did knowingly make a false material declaration, that is to say, he falsely testified that he created checks drawn on a closed Sovereign Bank checking account of his as opposed to fabricating checks that included an account number belonging to an individual not affiliated with SCHOFIELD.

48. At the time and place aforesaid the grand jury was conducting an investigation to determine whether violations of 26 U.S.C. §§ 7201 and 7212(a) had been committed by SCHOFIELD. It was material to the investigation that the grand jury ascertain whether the checks were false, who created the false checks, the manner in which those false checks were created, and whether SCHOFIELD caused the fake or fraudulent checks to be submitted to the IRS with the intent to corruptly obstruct and impede the due administration of the IRS and to willfully evade or defeat the payment of taxes due and owing.

49. At the time and place alleged SCHOFIELD, appearing as a witness under oath at a proceeding before the grand jury knowingly made the following declaration in response to questions with respect to the material matter alleged in paragraph 38 as follows:

Q: And again, all these checks that we're showing, these are checks that you made at your home?

A: They're drafts, yes.

Q: And they're for an account that doesn't exist, a bank account that doesn't exist?

A: Well, the account does exist. It was closed.

Q: Okay, so it was a closed account when you made these checks?

A: Yeah.

Q: And it was a closed Sovereign Bank account?

A: That's correct.

Q: The number - the account number on the checks didn't match up with your Sovereign Bank account number, did it?

A: That was an account that I originally had at Sovereign Bank that was closed.

Q: And according to you, you put an account number associated with an account you used to have; is that correct?

A: That was closed, yes.

50. The aforesaid underscored testimony of SCHOFIELD, as he then and there well knew and believed was false in that the fraudulent checks he created and submitted to the IRS between in or about April 2012 and August 2012 were fabricated by him and contained an account number belonging to an individual not

related to or connected with him.

All in violation of 18 U.S.C. § 1623.

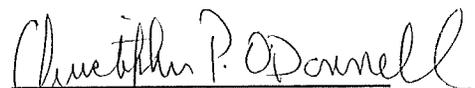
A TRUE BILL:

REDACTED

STEPHEN G. DAMBRUCH
United States Attorney



SANDRA R. HEBERT
Assistant U.S. Attorney


CHRISTOPHER P. O'DONNELL
Trial Attorney
WILLIAM J. FERLAND
Assistant U.S. Attorney
Criminal Division Chief

Date: 3/27/18