

-FILED-

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF INDIANA  
HAMMOND

MAY 18 2017

At \_\_\_\_\_  
ROBERT N. TRGOVICH, Clerk  
U.S. DISTRICT COURT  
NORTHERN DISTRICT OF INDIANA

UNITED STATES OF AMERICA

CAUSE NO:

v.

18 U.S.C. § 371    **2    17 CR    59**  
26 U.S.C. § 7212(a)  
26 U.S.C. § 7206(2)

JOHN NEWLIN

**INDICTMENT**

**THE GRAND JURY CHARGES:**

At all times material to this Indictment:

1. Defendant John Newlin was a resident of Indiana who owned, controlled and managed Quick Sam Tax Refund in Gary, Indiana, through which Newlin offered tax preparation services.

2. The Internal Revenue Service ("IRS") was an agency of the United States Department of the Treasury responsible for enforcing and administering the tax laws of the United States, including collecting taxes owed to the United States.

3. A Form 1040, U.S. Individual Income Tax Return, was an IRS form which taxpayers submit to the IRS on a yearly basis, wherein taxpayers report items including income, certain expenses, and total tax due.

4. A Schedule A "Itemized Deductions" ("Schedule A") was an IRS form used to claim certain deductions from taxable income. Deductions that can be claimed on a Schedule A include, among other items, medical and dental expenses, gifts to charity, and job-related expenses.

5. A Schedule C and Schedule C-EZ “Profit or Loss from Business (Sole Proprietorship)” (hereinafter referred to as “Schedule C”) was an IRS form used to report gross receipts, expenses, and profit and loss from a business operated by the taxpayer as a sole proprietorship.

6. The Earned Income Credit or Earned Income Tax Credit also referred to as the “EIC” or “EITC” (hereinafter referred to as “EITC”) was a refundable federal income tax credit that could reduce the amount of federal income tax owed, and could result in the issuance of a refund when the credit exceeded the amount of federal income taxes owed. In order to qualify for the EITC, a taxpayer must meet certain qualifications, including a certain filing status such as married filing jointly, head of household, qualifying widow or widower or single; a certain level of income; and certain dependents. The EITC increased as a taxpayer earned greater income until the taxpayer’s income reached a specified amount. The EITC then decreased and phased out completely for taxpayers who made more than a specified amount.

7. The American Opportunity Credit was a tax credit related to education expenses claimed on a Form 8863.

8. The information on Schedule A, Schedule C and Form 8863 were included as part of the calculation of the tax liability on Form 1040.

9. An Electronic Filer Identification Number or “EFIN” was a number assigned by the IRS to an individual permitting that individual to electronically file tax returns to the IRS on behalf of others.

**Count I**  
**(Conspiracy)**

10. Paragraphs 1 through 9 are re-alleged and incorporated by reference as though fully set forth herein.

**THE CONSPIRACY**

11. From in or about August 2008 through in or about January 2012, in the Northern District of Indiana and elsewhere, the defendant

**JOHN NEWLIN**

did unlawfully, voluntarily, intentionally and knowingly conspire, combine, confederate and agree together with individuals A.B., C.B., S.M., R.M., G.R., L.R., M.R., S.R., C.S., B.W-L, and others known and unknown to the grand jury, to defraud the United States for the purpose of impeding, impairing and obstructing, and defeating the lawful Government functions of the IRS of the Treasury Department in the ascertainment, computation, assessment and collection of taxes.

**OBJECT OF THE CONSPIRACY**

12. The object of the conspiracy was to prepare and file a high volume of false tax returns for taxpayers who patronized Quick Sam Tax Refund that claimed either a tax refund or inflated tax refund to which the taxpayer was not entitled.

**MANNER AND MEANS**

13. From in or about August 2008 through in or about January 2012, Newlin trained, coached, and encouraged employees to prepare false and fraudulent tax returns for taxpayer clients that contained false and fraudulent items, including, but not limited to: Schedule C business income, expenses, and

profits/losses; the EITC; Schedule A deductions; claims for educational credits; dependents; and filing status.

14. John Newlin trained his employees regarding the items required on a tax return for maximizing the EITC, specifically a certain amount of Schedule C income, certain filing statuses and dependents, to provide his employees with the means to falsify tax returns that they prepared.

15. John Newlin told his employees “We are not the IRS” and to accept, without question, information provided by taxpayers.

16. John Newlin instructed his employees to ask leading questions in order to generate income for the Schedule C and to falsely qualify the taxpayer for the EITC.

17. John Newlin required clients to sign documents indicating that all of the Schedule C expenses were accurate.

18. Newlin and his co-conspirators prepared false and fraudulent tax returns.

19. Newlin electronically filed the false returns with the IRS with the objective of obtaining a tax refund or inflated tax refund for taxpayer clients to which they were not entitled.

20. For tax year 2008, John Newlin filed or caused to be filed approximately 4990 returns of which approximately 4920 or 98.5% requested a refund. The vast majority of these returns included a Schedule C business and contained the EITC.

21. For tax year 2009, John Newlin filed or caused to be filed approximately 4198 returns of which approximately 4128 or 98% requested a refund. The vast majority of these returns included a Schedule C business and contained the EITC.

22. For tax year 2010, John Newlin filed or caused to be filed approximately 3557 returns of which approximately 3546 or 99% requested a refund. The vast majority of these returns included a Schedule C business and contained the EITC.

23. For tax year 2011, John Newlin filed or caused to be filed approximately 835 returns of which approximately 835 or 100% requested a refund. The vast majority of these returns included a Schedule C business and contained the EITC.

### **OVERT ACTS**

24. In furtherance of the conspiracy, and to effect the objects thereof, the following overt acts, among others, were committed by or caused to be committed by one or more members of the conspiracy, in the Northern District of Indiana and elsewhere:

25. In or about December 2008, Newlin gave a training test to his employees that focused on three requirements for maximizing the EITC: the filing status necessary, the maximum amount of income allowed to receive the EITC and the number of dependents necessary for the EITC.

26. On or about December 30, 2009, Newlin gave a training test to his employees that focused on three requirements for maximizing the EITC: the filing status necessary, the maximum amount of income allowed to receive the EITC and the dependents necessary for the EITC.

27. On or about January 4, 2010, during a meeting with an IRS civil revenue officer, Newlin falsely stated that he verified the accuracy of all the returns before they were filed with the IRS.

28. On or about January 6, 2011, Newlin filed a false and fraudulent tax return in the name of L.P. with the IRS. This tax return falsely claimed a Schedule C business of childcare, falsely claimed the EITC and falsely claimed a refund of \$5361.

29. On or about January 11, 2011, Newlin filed a false and fraudulent tax return in the name of K.N. with the IRS. This tax return falsely claimed a Schedule C business of childcare, falsely claimed the EITC and falsely claimed a refund of \$5258.

30. On or about January 16, 2011, Newlin filed a false and fraudulent tax return in the name of J.B. with the IRS. This tax return falsely claimed a Schedule C business of hair braider, falsely claimed the EITC and falsely claimed a refund of \$4855.

31. On or about January 23, 2012, Newlin transmitted a false and fraudulent tax return in the name of M.C. to T.O. in Grayson, Georgia for filing

with the IRS. This tax return falsely claimed a Schedule C business of hair stylist, falsely claimed the EITC and falsely claimed a refund of \$4906.

32. On or about January 24, 2012, Newlin transmitted a false and fraudulent tax return in the name of K.S. to T.O. in Grayson, Georgia for filing with the IRS. This tax return falsely claimed a Schedule C business of barber, falsely claimed the EITC and falsely claimed a refund of \$3885.

All in violation of 18 U.S.C. § 371.

**Count II**  
**(Attempting to Interfere with Administration of Internal Revenue Laws)**

33. Paragraphs 1 through 9 are re-alleged and incorporated by reference as though fully set forth herein.

34. In or about January 2012, in the Northern District of Indiana and elsewhere, the defendant

**JOHN NEWLIN**

did corruptly endeavor to obstruct and impede the administration of the internal revenue laws, by committing acts including, but not limited to, the following:

- a. Contracting with individual T.O. located in Grayson, Georgia to transmit and file returns for Quick Sam after Newlin's EFIN privileges had been suspended.
- b. Transmitting hundreds of returns to individual T.O. in Georgia for electronic filing.
- c. Falsely telling individual T.O. that he had applied for an EFIN and was waiting for the IRS to provide that EFIN.
- d. Misleading his employees regarding his arrangement with T.O.
- e. Instructing his employees to not reveal that Quick Sam was sending tax returns to individual T.O. in Georgia to file.

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

**Counts III through VIII**  
**(Aiding and Assisting in the Preparation and  
Presentation of False Income Tax Returns)**

35. Paragraphs 1 through 9 are re-alleged and incorporated by reference as though fully set forth herein.

36. On or about the dates specified in the table below, in the Northern District of Indiana and elsewhere, the defendant

**JOHN NEWLIN,**

willfully aided and assisted in, counseled, and advised the preparation and presentation of Individual Income Tax Returns, Forms 1040 for the year 2011, to the Internal Revenue Service, for the taxpayers identified in the table below by initials, and whose names are known to the grand jury. The returns were false and fraudulent as to material matters as set forth in the table below, and the defendant then and there knew the returns were false and fraudulent as to these material matters.

<u>Count</u>	<u>Date</u>	<u>Taxpayer</u>	<u>False Item(s)</u>
3	1/20/2012	A.J.	Schedule C – Line 1b – \$21,700
4	1/23/2012	M.C.	Form 8863 – Line 1(c) – \$4,000 Schedule C-EZ – Line 1b – \$11,850
5	1/23/2012	T.W. A.W.	Schedule C – Line 1b – \$15,000

6	1/24/2012	K.S.	Schedule C-EZ – Line 1b – \$10,280
7	1/26/2012	T.T.	Schedule C-EZ – Line 1b – \$22,787
8	1/30/2012	B.R.	Schedule C – Line 1b – \$6,159 Schedule C – Line 1b – \$5,731

All in violation of 26 U.S.C. § 7206(2).

A TRUE BILL:

S/Foreperson  
Foreperson

CLIFFORD JOHNSON  
Acting United States Attorney

S/John Mulcahy  
John Mulcahy  
Trial Attorney  
United States Department of Justice