



# Department of Justice

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Northern District of Iowa

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## **MARION, IOWA, BUSINESSMAN CONVICTED OF EVADING FEDERAL TAXES AND OBSTRUCTING IRS**

CEDAR RAPIDS, IOWA – A Marion, Iowa, businessman who failed to file timely tax returns or pay taxes from 2002 through 2005, moved money and real estate to various trust entities and accounts, and tried to interfere with the functions of the Internal Revenue Service (IRS) by filing false and frivolous claims, lawsuits and liens, was convicted by a jury on March 4, 2009, after a three-day trial in federal court in Cedar Rapids, United States Attorney Matt M. Dummermuth announced today.

Richard Lee Mellor, age 54, from Marion, Iowa, was convicted of four counts of tax evasion, one count of making a false claim for a tax refund of more than \$240,000, and one count of corruptly trying to obstruct or impede administration of federal tax laws. The obstruction of tax laws conviction involved evidence that Mellor filed a frivolous and fictitious lawsuit against an IRS revenue officer for more than \$84,000,000, sent and filed threatening letters to bankers concerning implications if they cooperated with IRS collection efforts, and filed an \$84,000,000-plus lien against the same revenue officer. The guilty verdicts were returned following about four hours of jury deliberations.

The evidence at trial showed that Mellor attempted to conceal his income from the IRS through abusive trust schemes using, in part, tax-avoidance methods such as those promoted by Dr. Joe Sweet and the Joy Foundation, Milton H. Baxley II, and other individuals. The evidence showed that Mellor deposited the receipts of his business into bank accounts in varying names, mainly trusts and LLC entities, from year to year. By 2005, Mellor was moving funds around the country using accounts that did not bear his name, but were in the names of companies or accounts other people opened for him. For example, in 2005 he transferred more than \$289,000 to a warehouse banking company in Maryland, then transferred \$180,000 to a company in Colorado, moved \$248,000 from Colorado to a money order company in Arkansas, and then transferred \$226,500 back to his accomplice in Colorado, who sent blank, pre-signed checks back to Mellor in Iowa. Mellor used accounts in the names of invalid trusts to hold business deposits and he transferred real estate to the trusts.

Sentencing before United States District Court Chief Judge Linda R. Reade will be set after a presentence report is prepared. Mellor remains free on bond pending sentencing. On the four tax evasion charges, Mellor faces a possible maximum sentence of 5 years imprisonment and a \$250,000 fine on each, plus the cost of prosecution. On the obstruction of the IRS charge, Mellor faces a possible maximum sentence of 3 years imprisonment and a \$250,000 fine. On the false claim charge, he faces up to 5 years imprisonment and a \$250,000 fine.

A person convicted of a criminal tax offense, in addition to whatever sentence is imposed, is also required to pay the tax determined to be due, as well as interest and civil penalties that may be assessed.

The case was prosecuted at trial by Assistant United States Attorney Janet Petersen and was investigated by agents of the Criminal Investigations Division of the Internal Revenue Service.

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