

Department of Justice

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GUILTY PLEA IN TAX FRAUD CASE

BUFFALO, N.Y.-- Victor Liberatore, Sr., 75, of Orchard Park, New York, pled guilty in U.S. District Court today to a charge of conspiring to defraud the United States, acting U.S. Attorney Kathleen M. Mehlretter of the Western District of New York announced. The maximum penalty is five years imprisonment, a \$250,000 fine, and restitution to the IRS of \$169, 849.

Assistant U.S. Attorney Paul J. Campana said Liberatore entered his guilty plea before Chief U.S. District Judge Richard J. Arcara. Campana said Liberatore, who owns a construction business, admitted that he provided the IRS with false information and documentation from December 2001 to February 2004.

During the tax years 1999 through 2001, Liberatore was a partner in Terra Capital Associates, whose principal location was Monroeville, Pennsylvania, and Terra Erie Associates, which owned a strip mall in Harbor Creek, Pennsylvania called the Eastway Plaza. Liberatore admitted that for the 2001 tax year, he caused deductions to be claimed on the federal Terra Capital Partnership tax return relating to expenses that in fact were incurred for work done on property not connected to the Terra Capital partnership, and for which deductions also were claimed on his personal tax return. Liberatore also admitted that, during an IRS audit that began in December 2001 and continued through February 2004, he caused false documentation to be provided to the IRS, and caused or attempted to cause other persons to provide false documents to the IRS. Examples included contractor invoices that purported to show work done on Terra Capital property in Monroeville, Pennsylvania, that actually was done on non-partnership property in Western New York. The defendant also admitted that in late May 2003, he asked a local contractor to supply the IRS with an altered version of the contractor's invoice. The contractor did not agree to that request.

Regarding the Terra Erie partnership, Liberatore admitted to claiming costs of approximately \$885,000 that were supported by false documentation. These expenses

were added to Terra Erie's cost basis on its partnership tax returns. Some of the false documents were invoices from a Western New York home builder who was associated with Liberatore but not with Terra Erie. Terra Erie's Harbor Creek property was sold in 2001. The false invoices purported to support the property's increased cost basis, which in turn reduced the taxable gain reported to the IRS. The prosecutor said Liberatore admitted in his plea agreement today that the purpose of the false documentation regarding both partnerships was to reduce the tax liability that flowed through to the partners.

Chief Judge Arcara scheduled sentencing for August 10, 2009, at 12:30 p.m. Mr. Liberatore was released on his own recognizance pending sentencing.

The conviction was the result of an investigation by the Internal Revenue Service, Criminal Investigation Division, under the direction of Special Agent In-Charge Patricia J. Haynes.