

Department of Justice

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Western District of New York

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U.S. ATTORNEY'S OFFICE PROSECUTING TAX OFFENDERS

BUFFALO, N.Y AND ROCHESTER, N.Y. - Acting U.S. Attorney Kathleen M. Mehlretter of the Western District of New York reviewed several significant prosecutions on tax charges which have occurred in the past three months. Acting U.S. Attorney Mehlretter stated that she is highlighting these prosecutions as the deadline for filing income tax returns approaches. "It is important for the vast majority of taxpayers who pay their tax liabilities on time and in full, to know that those taxpayers who don't will be held fully accountable, either civilly or criminally or both" said Acting U.S. Attorney Mehlretter.

On February 9, 2009, Patricia O'Connor 57, of Angelica, New York, was convicted after a jury trial of 5 counts of tax evasion and conspiracy to defraud the United States, and her husband, Richard Drachenberg, 57, was also convicted of conspiracy to defraud the United States. The charges carry a maximum penalty of 5 years in prison, a fine of \$250,000, or both. In this case the defendants earned approximately \$714,000 in income. During this time, the defendants used various sham trusts to conceal this income from the Internal Revenue Service. Specifically, the defendants requested to be paid as independent contractors, directed all payment for their services be made to the sham trusts, and did not file any income tax returns. In total, for the years 1996 to 2007, the defendants have a tax deficiency of approximately \$217,000.

On March 16, 2009, a three-count Indictment was filed, charging Kenneth and Phyllis Kasper of Niagara Falls, New York, with filing false federal income tax returns for 1999, 2000 and 2001. The charges carry a maximum penalty of 3 years in prison, a fine of \$250,000.00, or both. This Indictment alleges the defendants, the husband and wife owners of the Algiers Motel in Niagara Falls, willfully failed to report over \$270,000 of income on their Form 1040 individual tax returns for three years.

On March 26, 2009, Erdal Erol, pled guilty to a felony information charging him with one count of filing a false federal tax return. The charge carries a maximum penalty of 3 years imprisonment and a fine of up to \$100,000. The defendant owned and operated Erol Consulting, a tax preparation and tax consulting business, located at 1914 East Ridge Road in Rochester, New York. During the years 2002 through 2005, the defendant prepared and filed with the IRS, twenty-five false tax returns for his clients, which resulted in false refunds being issued by the IRS. The total tax loss to the IRS was \$62,537.

On March 30, 2009, Charles Heinzman, who was convicted on July 22, 2008, of making false claims to the Internal Revenue Service, was sentenced to five years term probation and ordered to pay restitution in the amount of \$14,582.97. The defendant had been convicted of preparing tax returns in which he falsely claimed tax refunds related to the 2003 and 2004 tax years for several other individuals. Heinzman prepared the returns using his personal computer, thereafter electronically filing the returns using his personal e-mail address. Heinzman generated the false refund claims by falsely inflating W-2 wage income and withholding amounts. Heinzman took return preparation fees of up to \$1,000 per tax return. The eleven returns involved in the scheme resulted in a tax loss in excess of \$40,000.

Also on March 30, 2009, Jason Kochan, pled guilty to a felony charge of filing a false tax return. This charge carries a maximum penalty of 3 years imprisonment, a fine of \$100,000, or both. The defendant, the sole proprietor of Jay's Landscaping, attempted to conceal the true amount of his income by receiving cash payments, directing clients to make check payments payable directly to him or to cash, and advertising the option on clients' contracts to ask him how to "save the tax." Kochan admitted to the fact that he did not collect sales tax from all of his customers, but based his gross receipt figure on his federal income tax returns strictly on his New York State sales tax figures. Kochan's understatement of income for tax years 2002, 2003 and 2004, resulted in the Internal Revenue Service sustaining losses totaling approximately \$56,000.

These 5 cases highlight the ongoing efforts of the U.S. Attorney's Office to prosecute violations of U.S. tax laws. Additional information about the Justice Department's Tax Division and its enforcement efforts may be found at <http://www.usdoj.gov/tax/>. Additional information about tax fraud schemes to watch out for may be found on the IRS Criminal Investigation Web site. <http://www.ustreas.gov/irs/ci/>.

The Justice Department encourages anyone who has information about suspected tax fraud to report it to the IRS Web site at <http://www.irs.gov> and click on the links "Contact IRS" and "How Do You Report Suspected Tax Fraud Activity."

The fact that a defendant has been charged with a crime is merely an accusation and the defendant is presumed innocent until and unless proven guilty.