

DEPARTMENT OF JUSTICE

**Acting United States Attorney Edward R. Ryan
Western District of North Carolina**

**FOR IMMEDIATE RELEASE
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TAX REFUND CONSPIRATORS PLEAD GUILTY IN U.S. DISTRICT COURT Four Defendants Plead Guilty in Connection with Tax Refund Fraud Conspiracy CHARLOTTE, NC—Acting U.S. Attorney Edward R. Ryan, Jeannine Hammett, Special Agent in Charge of the Internal Revenue Service-Criminal Investigation Division, Keith Fixel, Inspector in Charge of the Charlotte Division of U.S. Postal Inspection Service, Special Agent in Charge Russell F. Nelson of U.S. Secret Service, and Chief Tim Adams of the Gastonia Police Department, announce that four individuals involved in a large scale tax refund fraud scheme have entered guilty pleas in U.S. District Court for the Western District of North Carolina, at Charlotte.

The tax fraud conspiracy was perpetrated, in part, at money service businesses which were located in Lincolnton and Gastonia, North Carolina. Jose Peralta, 31, of Shelby, NC; Miguel Loria, 36, of Lincolnton, NC; Richard Varela, 22, of Gastonia, NC; and Marino Martinez, 50, of Gastonia, NC each pled guilty to three criminal counts including two conspiracy counts and one count of aggravated identity theft. The charges are contained in a bill of indictment filed November 19, 2008 in U.S. District Court for the Western District of North Carolina.

“These types of false tax refund schemes undermine the integrity of our tax system,” said Acting U.S. Attorney Edward R. Ryan. “This prosecution sends a clear message that participants in these schemes will be held accountable for their conduct and will ultimately pay a high price for their greed.” According to the bill of indictment, the defendants participated in a wide scale tax refund conspiracy that began in January 2008. Of the tens of millions of dollars in false claims sought by virtue of the scheme, the defendants were able to successfully obtain \$12 million from January 2008 until mid-November 2008 by cashing fraudulent tax refund checks through various money service business in North Carolina. Defendant Miguel Loria owned and operated La Libertad, Inc. and El Nuevo Irazu, money service businesses located in Lincolnton, NC, and during the relevant time period, Loria cashed false tax refund checks totaling approximately \$2,600,000 at La Libertad alone. Another money service business, known as “L.D.,” located in Gastonia, was also utilized by defendants Martinez, Peralta, Loria and Varela to cash false tax refund checks during the same general time period.

The indictment details a scheme carried out in this way: Participants would use stolen identities and social security numbers of real citizens of the commonwealth of Puerto Rico to file fraudulent tax returns. (Puerto Rican residents do not file tax returns with IRS if their income is all derived from Puerto Rican sources. Therefore, the risk was minimized that a legitimate U.S. tax return would have already been filed by these persons.) The fraudulent tax returns always claimed the filer was entitled to a tax refund.

These fraudulent returns then caused the Treasury Department to mail false tax refund checks to various addresses throughout New York, North Carolina and elsewhere. The addresses listed on the fraudulent returns were sometimes clustered—a large number of addresses in the same apartment building, for example. A corrupt postal employee in New York assisted in stealing the false tax refund checks from the mail and gave the false tax refund checks to participants in the scheme. Participants in the scheme would use fake identification documents to cash the fraudulently obtained tax refund checks.

Pursuant to plea agreements filed earlier this year, these four defendants who participated in the conspiracy in the Western District of North Carolina have agreed to plead guilty to threecriminal counts. They each face a maximum sentence of 17 years imprisonment on the counts to which they have pled guilty. Any sentence as to any defendant received upon conviction will be influenced by the Federal Sentencing Guidelines. The Court consults the Guidelines in order to determine each defendant's actual sentence which is based upon a formula that takes into account the severity and characteristics of the offense and each defendant's criminal history, if any.

JOSE PERALTA, age 31

Shelby, NC

Plea agreement filed January 26, 2009

Guilty plea entered February 4, 2009

In custody since November 21, 2008

MIGUEL LORIA, age 36

Lincolnton, NC

Plea agreement filed March 17, 2009

Guilty plea entered March 30, 2009

In custody since November 21, 2008

RICHARD VARELA, age 22

Gastonia, NC

Plea agreement filed March 13, 2009

Guilty plea entered March 31, 2009

In custody since November 21, 2008

MARINO MARTINEZ, age 50

Gastonia, NC

Plea agreement filed February 27, 2009

Guilty plea entered February 27, 2009

In custody since November 26, 2008

All four defendants named above continue in federal custody and are presently awaiting sentencing in federal court in Charlotte. Sentencing dates for the defendants have not been set at this time.

Criminal enforcement priorities of the Justice Department and the Internal Revenue Service include investigation of scheme that involve:

- Using trusts or other entities to conceal control over income and assets;
- Shifting assets and income to hidden offshore accounts;
- Making false statements to the IRS in order to claim tax refunds;
- Selling and promoting fraudulent tax avoidance schemes;
- Using frivolous justifications for not filing truthful tax returns;
- Failing to withhold, report and pay payroll and income taxes;
- Failing to report income on individual and corporate returns; and
- Failing to file tax returns.

Acting U.S. Attorney Ryan credits the IRS-CID with leading the investigation that resulted in the filing of these charges. Ryan also commended the U.S. Postal Service, U.S. Secret Service, and Gastonia Police Department for their participation and cooperation in the investigation and added that the investigation is continuing. The government is represented in this matter by Assistant U.S. Attorney Mark T. Odulio and Kenny Smith of the U.S. Attorney's Criminal Division in Charlotte.

Further details about additional recent tax enforcement cases are available by visiting the the Web site of the U.S. Department of Justice at www.usdoj.gov and entering "Tax Division" in the search engine, on the IRS's Web site www.irs.gov , or on the IRS Criminal Division's Web site <http://www.ustreas.gov/irs/ci/>.

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