



**United States Department of Justice
United States Attorney's Office
District of Minnesota**

**B. Todd Jones,
United States Attorney**

David Anderson, Public Affairs Specialist
(612) 664-5684; cell: (612) 730-2251

News Release

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Minneapolis man sentenced for role in scheme to defraud IRS

The primary defendant connected to a scheme to defraud the Internal Revenue Service out of more than \$1 million was sentenced today in federal court.

On Aug. 18 in St. Paul, United States District Court Judge Patrick Schiltz sentenced Douglas Earl Leiter, 41, Minneapolis, to 121 months in prison and three years of supervised release on one count of conspiracy to defraud the IRS and aiding and assisting in the preparation of false tax returns; one count of filing a false tax return; and one count of aiding a false tax return. Leiter was convicted on Dec. 9, 2008, after a six-day trial.

Leiter was indicted on Aug. 19, 2008, along with five co-defendants, two of whom already have been sentenced. Brian Keith Scott, 43, Zimmerman, was sentenced on July 30 to 78 months in prison and three years of supervised release on one count of conspiracy, one count of filing a false tax return and two counts of aiding a false tax return. On April 22, Judge Schiltz sentenced Laurie Therese Brausen, 52, St. Paul, to six months in prison and two years of supervised release on one count of conspiracy.

Christopher Craig Robinson, 36, Plymouth, is scheduled to be sentenced on Aug. 20 in St. Paul. He pleaded guilty to one count of conspiracy. A sentencing date for Timothy Paul McCarthy, 63, St. Paul, has not yet been scheduled. He also was convicted on one count of conspiracy and two counts of aiding a false tax return on Dec. 9, 2008, following a jury trial.

A sixth co-defendant, Mark David Maxwell, 53, Minneapolis, remains a fugitive.

Following today's sentencing, U.S. Attorney Todd Jones said, "Those who defy the tax laws of the U.S. will be held accountable for their actions. This office, along with our law enforcement partners at the Internal Revenue Service, will pursue tax-law violators and aggressively prosecute them."

The indictment and evidence introduced during the six-day trial in this case indicated that from June 2001 through October 2004, the defendants engaged in tax defier conduct, including conspiring to defraud the U.S. by impeding and obstructing the lawful functions of the IRS, impairing the collection of income taxes and aiding and assisting in the preparation of false tax returns.

The conspiracy involved two false return schemes and a third scheme to defraud the U.S. through false non-profit organizations. In the false return schemes, the defendants prepared tax returns for themselves and others in which, despite earning income, the defendants and their clients attempted to pay no taxes and, instead, claimed fraudulent refunds by declaring all or nearly all of their earnings as tax deductible. Some of their returns were accompanied by declarations in which the defendants and others stated their wages were not taxable income.

As part of the scheme to defraud the government through the use of false non-profits, the defendants structured their own businesses and the businesses of their clients as limited liability corporations, purportedly owned by non-profit organizations. The corporations then distributed their profits among bank accounts held by those organizations, which did not file tax returns or pay taxes. In reality, however, the bank accounts were controlled by the defendants or the defendants' clients, and those clients then used that untaxed money to pay for personal expenses.

The defendants charged their clients fees to participate in the various schemes. The defendants also charged and, in a few cases received, a percentage of any refund their clients obtained.

“The IRS is concerned that taxpayers may be misled by promoters making outlandish claims,” said Julio La Rosa, Acting Special Agent in Charge of the IRS-Criminal Investigation Division’s St. Paul office. “Unscrupulous scheme promoters twist the law and prey on taxpayers’ lack of understanding about tax laws for their own personal profit, often charging big fees or commissions while leading people down a perilous legal and financial path. Taxpayers do not have the right to violate and disobey tax laws. If you aren’t sure about a tax arrangement, seek expert advice. The IRS’s Web site (www.irs.gov) has a wealth of information on scams, schemes and cons.”

This case was the result of an investigation by the IRS-Criminal Investigation Division and the Minnesota Department of Revenue. It was prosecuted by Assistant U.S. Attorney Michael Cheever and U.S Department of Justice Tax Division Trial Attorney Michael Romano.