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NEWS RELEASE

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Former Eagle Businessman Sentenced to 51 Months for Tax Evasion

BOISE – Douglas J. Fitzgerald, 69, formerly of Eagle, Idaho, was sentenced yesterday to 51 months in prison followed by three years of supervised release for attempting to evade income tax, U.S. Attorney Wendy J. Olson announced. Chief U.S. District Judge B. Lynn Winmill also ordered Fitzgerald to pay \$308,912 in restitution to the Internal Revenue Service and perform 100 hours of community service. Fitzgerald pleaded guilty to the charge in February 2011.

According to the plea agreement, Fitzgerald filed false tax returns that omitted the income from the sale of his business' assets and from the sale of real property. In the plea agreement, Fitzgerald admitted that he failed to report over \$1 million in income and evaded payment of taxes totaling \$308,912, for tax years 1999 through 2003 and 2005. Fitzgerald used nominee entities to conceal this income. Specifically, he titled the stock in his business and titled his real estate in two entities formed as Nevada *corporations sole*, which are state entities designed for use by church officials. Fitzgerald called one corporation sole "the Office of the First presiding Patriarch (Overseer), a corporation sole, over/for The Fellowship Society (an unincorporated religious Scriptural society, in the nature of Ecclesia)." He formed a second similarly named corporation sole over "Paradise Flats Society." Fitzgerald used the Fellowship Society and Paradise Flats Society, as purported religious or charitable institutions, to conceal his income from the sale of his business and from the sale of real property. Fitzgerald claimed that the income went to these purported religious entities, despite the fact that he directed the transactions maintained control of the income, and benefitted personally from it.

Fitzgerald also admitted that in one instance, he directed the proceeds of a real estate sale to another company, Moscow Combined Investments, and used the proceeds to purchase a house

for his daughter. Fitzgerald also directed several hundred thousand dollars to a bank account in his wife's name in the Philippines. He eventually moved to the Philippines but was returned to the United States after he was indicted.

In 1998 Fitzgerald was convicted of filing false claims for tax refunds and mail fraud, after which he served 30 months in prison.

“Paying taxes is a solemn obligation of citizenship,” said Olson. “Those who hide income and evade taxes undermine our democracy. Mr. Fitzgerald has now twice been convicted of tax crimes. This significant sentence is appropriate. I commend the IRS enforcement agents and federal prosecutors who patiently pursued justice in this case.”

The case was investigated by the Internal Revenue Service-Criminal Investigation Division.

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