



Department of Justice

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**FORMER NORTHERN VIRGINIA RESIDENT SENTENCED TO 48 MONTHS IN
PRISON
FOR TAX EVASION AND IMPEDING THE IRS**

Operated as a Third Party Administrator of the Postmasters' Benefits Plan

ALEXANDRIA, Va. – Thomas J. Ernst, formerly a resident of McLean, Va. and Arlington, Va., was sentenced today to 48 months in prison, followed by three years of supervised release for one count of corruptly endeavoring to impede the Internal Revenue Service (IRS) and one count of tax evasion, the Justice Department and IRS announced today. According to court documents, the tax loss was nearly \$4.5 million. In addition to his prison term, the court ordered Ernst to pay \$4,490,966 in restitution to the IRS.

Neil H. MacBride, U.S. Attorney for the Eastern District of Virginia; John A. DiCicco, Principal Deputy Assistant Attorney General of the Justice Department's Tax Division; and Jeannine A. Hammett, Acting Special Agent in Charge, Washington, D.C. Field Office, IRS-Criminal Investigation, made the announcement following sentencing by U.S. District Judge Claude M. Hilton. Ernst pleaded guilty on July 26, 2011.

According to court documents, between 2000 and 2006, Ernst served as the president and chief executive officer of Medicare Plus Inc., a health insurance benefits administration company. Medicare operated as a third-party administrator of the Postmasters' Benefits Plan (PBP), the health benefits carrier for the National League of Postmasters (NLP). Medicare and NLP entered into a 10-year guaranty agreement under which Medicare managed PBP's operations; NLP paid Medicare \$166,000 each month plus a \$33,000 administrative fee.

According to the plea agreement and statement of facts, Ernst admitted that between 2001 and 2007, he corruptly endeavored to obstruct and impede the due administration of the Internal Revenue laws by causing Medicare to make payments from its corporate bank account for numerous personal expenses, including a summer rental house; more than \$1.5 million in payments to himself, his wife, his sister-in-law and his sons; his son's private college education; and various property purchases and rentals. In all, these payments totaled more than \$3.3 million. Additionally, Ernst admitted that he used nominee bank accounts, purchased and leased assets in the names of his sons and sister-in-law, and created fictitious documents to conceal his income and ownership of assets from the IRS. Ernst also admitted that he caused Medicare to

fail to file corporate income tax returns, despite the fact that Medicare earned more than \$11 million in gross receipts between 2001 and 2006.

According to court documents, Ernst also admitted that between 2001 and 2006, he failed to file a U.S. Individual Income Tax Return, Form 1040, with the IRS, despite the fact that he was required to do so by law. Ernst specifically admitted that in 2005, he received taxable income of at least \$915,678, upon which he owed a substantial tax. In an attempt to evade and defeat the assessment and payment of this tax, he admitted to failing to file an income tax return by April 17, 2006, and by, among other things, using nominee bank accounts and his family members to conceal his income from the IRS.

This case was investigated by IRS-Criminal Investigation and was prosecuted by Assistant U.S. Attorney Charles Connolly and Tax Division Trial Attorneys Caryn Finley and Thomas J. Krepp.

More information about the Tax Division and its enforcement efforts is available at www.usdoj.gov/tax/.