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California Economist Sentenced In Manhattan Federal Court To Four Years In Prison For Evading Over \$1.5 Million In Taxes Due To IRS

FOR IMMEDIATE RELEASE

Tuesday, July 16, 2013

Preet Bharara, the United States Attorney for the Southern District of New York, announced that DAVID GILMARTIN, a Ph.D. economist, was sentenced today in Manhattan federal court to four years in prison for failing to file tax returns since 1989, evading payment of his taxes, and obstructing attempts by the Internal Revenue Service ("IRS") and the State of New York to assess and collect his personal income taxes. GILMARTIN was convicted of tax evasion and mail-fraud charges in January 2013, after a one-week jury trial before U.S. District Judge Miriam Cedarbaum, who imposed today's sentence.

Manhattan U.S. Attorney Preet Bharara said: "For more than 20 years, David Gilmartin thumbed his nose at the government, failing to pay his taxes and ignoring repeated warnings to do so. Everyone must pay their fair share of taxes, and those like Gilmartin who do not, will be punished."

According to the indictment and evidence introduced at GILMARTIN's trial:

GILMARTIN, who holds a Ph.D. in economics, willfully failed to file income tax returns and pay income taxes on over \$1.7 million in consulting income from 1989 through 2010. He justified his failure to pay taxes by claiming that he could not identify a provision in the tax code that made him liable for the payment of income taxes. Despite numerous IRS notices, meetings, and letters, and despite GILMARTIN's friends telling him that he would go to jail, GILMARTIN refused to file his tax returns or pay his income taxes.

GILMARTIN evaded his taxes by providing a false social security number to one employer, and by providing false withholding forms to employers that claimed that he was exempt from taxes, to keep his employers from withholding taxes from his paychecks. In order to prevent the IRS from assessing and collecting his taxes, from 1995 through 2002, GILMARTIN paid nearly \$500,000 from his paychecks directly to his banks for credit card purchases and payments on a line of credit, rather than deposit them in a bank account that he knew the IRS would try to levy. From 2008 until his arrest, GILMARTIN cashed over \$338,000 in paychecks rather than deposit them into a bank account, also to prevent the IRS from collecting his taxes.

As a result of his evasion efforts, GILMARTIN owes more than \$1.5 million in income taxes and interest to the IRS, and more than \$99,000 to the State of New York.

* * *

In addition to the prison term, Judge Cedarbaum also sentenced GILMARTIN, 69, of Phelan, California, to three years of supervised release. GILMARTIN was also ordered to pay \$1.67 million in restitution, and \$2,500 in the costs of prosecution.

Mr. Bharara thanked the Internal Revenue Service-Criminal Investigation and the Tax Division of the Department of Justice for their work on this case.

This case is being prosecuted by the Office's Complex Frauds Unit. Assistant U.S. Attorney Stanley J. Okula, Jr. and DOJ Tax Division Assistant Chief Nanette L. Davis are in charge of the prosecution.

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