

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

RAMONA TAX PREPARER SENTENCED FOR MURDER-FOR-HIRE, WITNESS TAMPERING, FILING FALSE TAX RETURNS WITH THE IRS, IDENTITY THEFT, MONEY LAUNDERING, AND FRAUD

NEWS RELEASE SUMMARY - April 12, 2013

San Diego - Former Internal Revenue Service agent-turned-tax preparer Steven Martinez was sentenced today by U.S. District Court Judge William Q. Hayes to almost 24 years in prison for defrauding clients out of more than \$11 million and then plotting their murders to prevent them from testifying about the theft.

In addition to a 286-month sentence, the judge ordered Martinez to pay more than \$14 million in restitution to the victims, the IRS and the California Franchise Tax Board. Judge Hayes also entered a preliminary order of forfeiture as to certain real and personal property, including an \$11 million money judgment. Following Martinez's service of his sentence, Judge Hayes placed him on five years of supervised release.

In comments at today's hearing, Assistant U.S. Attorney Joseph Orabona argued for a significant sentence in part because Martinez meticulously planned the murders by giving a would-be assassin – who was a cooperating witness for the FBI - detailed instructions and information about each of the four victims

contained in “packets.” One of the exchanges between Martinez and the cooperating witness was captured on video.

“These victims were surveilled. They were watched. Their habits were documented. It’s disturbing,” Orabona said. “This was a cool and calculating individual. He knew how the victims lived. He’s explaining it to the hit man on the video.”

Before imposing a sentence, Judge Hayes noted that the defendant did not make a heat-of-the-moment decision to commit a crime. Rather, it was a long-term fraud spanning years and culminating with the carefully planned murder-for-hire plots. “Mr. Martinez in my view had some time to think about what he was doing.” He called the defendant’s actions “cold blooded.”

U.S. Attorney Laura Duffy said she was pleased with the outcome of the prosecution. “This is a case of greed so extreme that what began as serious – but not violent - white-collar crimes almost escalated to the murders of four people. Fortunately FBI intervention prevented the violence and today justice was served with a decades-long sentence. As tax day quickly approaches, this is a reminder that anyone who chooses to undermine the integrity of our tax system risks prosecution.”

FBI Special Agent in Charge, Daphne Hearn, commented, “Once the FBI became aware of Mr. Martinez’s murder-for-hire plot, FBI agents took immediate steps to disrupt this plot. In doing so, the FBI ensured that no harm would come to potential witnesses or others. I commend the efforts of the agents and prosecutors who worked tirelessly in this investigation.”

N. Dawn Mertz, Special Agent in Charge of IRS Criminal Investigation’s Los Angeles Field Office, commented: “The activities of Steven Martinez are an example whereby tax crimes, malicious financial greed and a blatant disregard for the law can turn into potential violent criminal activity. Today’s sentencing reinforces IRS Criminal Investigation’s commitment to pursue those committing tax and financial crimes and to partner with our law enforcement community to bring justice to those who behave as if they are above the law.”

Martinez pleaded guilty on August 10, 2012, to criminal charges including murder-for-hire, witness tampering involving attempted murder, solicitation of a crime of violence, mail fraud, filing false tax returns, Social Security fraud, aggravated identity theft, and money laundering. Martinez pleaded guilty to 12-counts in a superseding indictment.

As part of his guilty plea, Martinez admitted that in late February 2012, he solicited a third party to murder four witnesses with the intent to prevent their testimony in his pending criminal tax case.

The third party contacted the San Diego division of the FBI on February 28, 2012 to report the murder-for-hire plot by Martinez and agreed to cooperate with the FBI in the investigation. According to the complaint, a subsequent meeting between the FBI’s cooperating witness and Martinez was recorded and videotaped by the FBI.

In reference to two of the murder targets, Martinez told the would-be assassin “he could make him rich for the rest of his life, \$100,000 cash, if he eliminated the lady in Rancho Santa Fe and the lady in La Jolla,” according to court records. The cooperating witness said Martinez “suggested that the former employee use two different pistols for the murders and that he acquire a silencer.”

Martinez admitted in court that he tried to prevent the former clients’ testimony by offering the FBI’s cooperating witness \$100,000 to murder them. He admitted he provided the third party with four written packets of detailed information about the former clients, including photos of the soon-to-be murder victims, their homes and personal information. Martinez admitted that once the murders took place, he would pay the perpetrator \$40,000 in cash, followed by the remaining \$60,000 in cash within 72 hours of the murders.

In addition, Martinez admitted that he filed false tax returns and defrauded his clients by stealing over \$11 million in tax payments. Martinez admitted that he presented his clients with completed tax returns indicating that they owed a significant amount of tax. He requested that his clients write checks payable for the amount of taxes due and owing to an alleged client trust account (instead of directly to the IRS or the California Franchise Tax Board).

Martinez also convinced these same clients to write checks during the tax year for estimated tax payments to the same alleged client trust accounts. Rather than deposit these checks into a true trust account, Martinez admitted that he took the checks and deposited them into several nominee bank accounts. In an attempt to conceal his fraud, Martinez admitted that he filed a different set of false tax returns indicating that his clients owed little or no income tax.

Martinez admitted that he converted approximately \$11 million in stolen taxpayer funds for his own personal benefit, and used them to make home improvements, purchase real estate, purchase a beach home in Mexico, pay for the use of a private airplane, make investments of more than \$2 million in other entities, and make payments of more than \$2 million for his personal use credit cards and loans.

As part of his fraudulent tax scheme, Martinez admitted that he committed Social Security fraud and aggravated identity theft by using the Social Security numbers of his clients without authorization when he filed the false tax returns with the IRS. Martinez admitted he committed mail fraud by mailing the false tax returns to the IRS. Martinez also admitted that he laundered approximately \$2 million through nominee bank accounts for his own business and personal use.

Finally, Martinez admitted that he knowingly and intentionally filed false personal income tax returns for tax years 2004, 2005, 2006, and 2007.

DEFENDANT

Criminal Case No. 11CR1445WQH

Steven Martinez

Age: 51

Ramona, California

CHARGES THAT DEFENDANT PLED GUILTY TO:

Count 4: Title 18, United States Code, Section 1341 – Mail Fraud

Maximum Penalties: 20 years of imprisonment and a fine equal to twice the gross loss caused to persons by the offense

Count 7: Title 26, United States Code, Section 7206(2) – Procuring False Tax Returns

Maximum Penalties: 3 years of imprisonment and \$250,000 fine

Counts 21: Title 42, United States Code, Section 408(a)(8) – Social Security Fraud

Maximum Penalties: 5 years of imprisonment and \$250,000 fine

Counts 33: Title 18, United States Code, Section 1028A – Aggravated Identity Theft

Maximum Penalties: 2 years of imprisonment, consecutive to any other sentence

Count 47: Title 26, United States Code, Section 7206(2) – Making False Tax Returns

Maximum Penalties: 3 years of imprisonment and \$250,000 fine

Count 49: Title 18, United States Code, Section 1957 – Money Laundering

Maximum Penalties: 10 years of imprisonment and \$250,000 fine

Counts 50 through 53: Title 18, United States Code, Section 1512(a)(1)(A) – Witness Tampering

Maximum Penalties: 30 years of imprisonment and \$250,000 fine per count

Count 54: Title 18, United States Code, Section 1958 – Use of a Facility of Interstate Commerce in Commission of Murder-For-Hire

Maximum Penalties: 10 years of imprisonment and \$250,000 fine

Count 55: Title 18, United States Code, Section 373 – Solicitation of a Crime of Violence

Maximum Penalties: 15 years of imprisonment and \$250,000 fine

AGENCIES

Internal Revenue Service, Criminal Investigation

Federal Bureau of Investigation