

NEWS RELEASE



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For Immediate Release

Masterminds of Tax Fraud Scheme Exploiting the Homeless and Drug Addicts Sent to Prison

NEWS RELEASE SUMMARY – May 10, 2013

United States Attorney Laura E. Duffy announced that two San Diego men were sentenced today for their roles in a long-running tax fraud that exploited both homeless and drug-addicted “customers” to defraud the United States out of hundreds of thousands of dollars.

In today’s court hearing, United States District Judge Anthony J. Battaglia sentenced Isaiah Konkus to serve 10 months in prison and his codefendant Justin Petersen to serve 10 months in prison. Judge Battaglia also ordered both defendants to pay \$268,832 in restitution to the Internal Revenue Service.

According to court records, between 2008 and 2011, Konkus and Petersen masterminded a scheme to defraud the IRS by exploiting its “Earned Income Credit” program, also known as the “EIC.” The EIC is designed to help working families by offsetting social security taxes and by providing an incentive for individuals to find and keep work. As part of their fraud, Konkus and Petersen sought out low-income “customers,” including the homeless, single mothers and addicts by soliciting them at trolley stations, homeless shelters and other places in downtown San Diego.

Purporting to act on behalf of their business—variously named “Street Angels” or “SoCal Tax Consultants”—Konkus and Peterson approached potential “customers” and asked whether they wanted “free money from the government.” They then instructed eligible candidates who gave a positive response to sign a blank tax return. Konkus and Petersen then filled in largely false information about income, occupation and dependents on these signed returns in an attempt to qualify their “customers” for the highest possible EIC payment. They then filed these false returns with the IRS, seeking as much as \$8,000 in fraudulent payments at a time.

Court filings further show that despite the fact that their work consisted entirely of faking and filing a simple (and false) tax return, Konkus and Petersen charged exorbitant rates to their mostly unsophisticated customers by skimming up to \$2,500 of their tax credit. Konkus and Petersen filed more than 1,000 tax returns, spending their ill-gotten gains on luxuries including illegal drugs, a Humvee, a sport fishing trip and a stay in the most expensive suite at a luxury hotel in the Gaslamp District of San Diego on New Year’s Eve.

Konkus and Petersen were charged on October 11, 2012, and pled guilty the same day. As part of their plea agreements, Konkus and Petersen both admitted to violating one count of conspiracy to defraud the United States with respect to false claims and one count each of filing a false tax return. Also as part of their plea agreements, Konkus and Petersen admitted to falsifying their own tax returns, evading more than \$35,000 each in internal revenue taxes.

United States Attorney Duffy noted that, “Not only did these defendants cheat the IRS out of hundreds of thousands of dollars, they also exploited some of our community’s most vulnerable—including the homeless and the working poor—for their illegal gain. The IRS’s tireless efforts in this case show that tax fraud is neither a victimless crime nor a crime that our office will tolerate.”

“Isaiah Konkus and Justin Peterson conspired to defraud the US Government by preying on the vulnerable in our society and utilizing their identities to file false tax returns and claiming an Earned Income Tax Credit,” said Jose A. Gonzalez, Special Agent in Charge for IRS Criminal Investigation (CI) Los Angeles Field Office. “The Earned Income Tax Credit Program was created to help the low income working citizens and those who fraudulently abuse the program will be investigated and prosecuted.”

DEFENDANTS

Case Number: 12CR4070-AJB

Isaiah Konkus

Justin Petersen

SUMMARY OF CHARGES AND MAXIMUM PENALTIES

Count 1 (both defendants): Conspiracy to Defraud the United States with Respect to Claims – Title 18, United States Code, Section 286. Maximum penalties: 10 years in prison, 3 years of supervised release, \$250,000 fine and a \$100 special assessment

Count 2 (Konkus only): False Tax Return – Title 26, United States Code, Section 7206(1). Maximum penalties: 3 years in prison, 1 year of supervised release, \$250,000 fine and a \$100 special assessment.

Count 3 (Petersen only): False Tax Return – Title 26, United States Code, Section 7206(1). Maximum penalties: 3 years in prison, 1 year of supervised release, \$250,000 fine and a \$100 special assessment.

INVESTIGATING AGENCY

Internal Revenue Service – Criminal Investigation