

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**UNITED STATES OF AMERICA** : **CRIMINAL NUMBER:** \_\_\_\_\_  
**v.** : **DATE FILED:** \_\_\_\_\_  
**EDWARD J. RORIE** : **VIOLATIONS:**  
**26 U.S.C. Section 7206(2) (aiding and assisting in the preparation and filing of materially false federal income tax returns – 25 counts)**

**INDICTMENT**

**COUNTS ONE THROUGH TWENTY-FIVE**

**THE GRAND JURY CHARGES THAT:**

At all times relevant to this indictment:

1. The Internal Revenue Service (“IRS”) was a constituent agency of the United States Department of Treasury. The IRS was responsible for administering and enforcing the tax laws of the United States.

2. Individuals, who earned income that exceeded an amount set by law, for tax years 2009 through 2011 were required to file federal income tax returns with the IRS which reported their worldwide income.

3. A.W., K.F., F.D., J.B., K.H., D. Mc., A.S., G.E., and J.C. are individuals known to the grand jury.

**THE ITEMIZED EXPENSE DEDUCTION FILING OPTION**

4. In making a determination as to whether a tax filer was entitled to receive a tax refund, or owed a tax deficiency to the United States Treasury, the filer could itemize their

deductions. A filer listed their itemized deductions on IRS Form Schedule A.

5. Itemized deductions included a range of expenses that were not otherwise deductible. Common expenses included the mortgage interest that a filer paid on up to two homes, state and local income or sales taxes, property taxes, medical and dental expenses that exceeded 7.5 percent of the filer's adjusted gross income, and the charitable donations that the filer made during the tax year for which the filer's return is being filed.

6. Certain unreimbursed employee expenses were deductible as miscellaneous itemized deductions. To be deductible, the unreimbursed employee expenses had to be: (a) paid or incurred during the tax year that the return was filed; (b) for carrying on the tax filer's trade or business or being an employee; and (c) the expense had to be ordinary and necessary.

7. Certain miscellaneous expenses, however, were only deductible to the extent that the expenses exceeded 2% of the filer's adjusted gross income ("AGI") for the year in which the expenses were incurred.

8. Deductible miscellaneous expenses subject to the 2% limit included expenses paid to: (a) produce or collect taxable income that was included in the filer's gross income; (b) manage, conserve, or maintain property that a filer held for producing income; or (c) determine, contest, pay, or claim a refund of any tax.

#### **THE STANDARD DEDUCTION EXPENSE FILING OPTION**

9. In lieu of itemizing deductions, tax filers had the option of using a standard deduction established in the tax code.

10. The standard deduction was a dollar amount that filers could subtract from their income. The standard deduction was available to United States citizens and resident aliens who were individuals, married persons and heads of household. The standard deduction was not available to nonresident aliens living in the United States. Additional amounts were available to tax filers who were blind and/or were at least 65 years old.

11. The standard deduction was distinct from personal exemptions which were also available to all taxpayers and dependents. Because tax filers could not take both itemized deductions and a standard deduction, tax filers generally chose the deduction that resulted in the lesser amount of tax owed.

12. For tax years 2009 through 2011, respectively, the standard deduction for single individuals, was \$5,700, \$5,700 and \$5,800.

13. For tax years 2009 through 2011, the standard deduction for married individuals who filed a joint return, respectively, was \$11,400, \$11,400 and \$11,600.

14. For tax years 2009 through 2011, the standard deduction for married individuals, who filed separately, was, respectively, \$5,700, \$5,700 and \$5,800.

15. For tax years 2009 through 2011, the standard deduction for individuals filing as head of household was, respectively, \$8,350, \$8,400 and \$8,500.

16. For tax years 2009 through 2011, the standard deduction for individuals who filed returns as a qualifying surviving spouse was, respectively, \$11,400, \$11,400 and \$11,600.

## **THE USE OF TAX CREDITS TO ENHANCE TAX REFUNDS**

17. On February 13, 2009, Congress passed the American Recovery and Reinvestment Act of 2009 -- commonly referred to as the "stimulus" or the "stimulus package" ("The Recovery Act").

18. The goals of the Recovery Act, among others, were to create new jobs, save existing jobs, and spur economic development and investment in long-term growth by, among other things, creating a number of short-time income tax credits.

### **A. The First Time Home Buyer Tax Credit**

19. The Recovery Act created a refundable tax credit for first time home buyers ("FTHBC"). As a refundable credit, unlike a tax deduction, a qualifying first-home buyer could obtain a tax refund to assist the buyer in purchasing a house even if the buyer had not paid any federal income taxes in the year that the purchase was made.

20. For first-time home buyers in the United States who purchased homes after April 8, 2008, the FTHBC could be claimed by using IRS Form 5405, which was required to be filed with the home-buyer's federal income tax return.

21. The FTHBC for tax year 2008 was 10% of the purchase price of the home with a maximum available credit of \$7,500 for either a single taxpayer or a married couple filing a joint return, or \$3,750 for married persons filing separate returns.

22. The FTHBC was not available for taxpayers who had purchased homes prior to April 8, 2008, or who had previously owned a home or homes within the prior three years.

23. The Worker, Homeownership and Business Assistance Act of 2009 (the "WBAA-2009") extended the deadline for taxpayers seeking to use the FTHBC. The home purchaser was required to have a binding contract to purchase a home before May 1, 2010.

24. The closing deadline was extended to September 30, 2010, by the Worker, Homeownership and Business Assistance Act of 2010 (the “WBAA-2010”), which was enacted on July 2, 2010.

**B. The Hope Tax Credit**

25. The Recovery Act modified the existing Hope Credit for tax years 2009 and 2010. The Hope Credit had been available to tax filers who incurred expenses related to the first two years of post-secondary education. To qualify for the Hope Credit, a person who the tax filer claimed as a dependent had to be a student who attended school on at least a part-time basis.

26. The Hope Credit could be claimed for education expenses incurred by the taxpayer, the taxpayer’s spouse, or the taxpayer’s dependent. The credit allowed for the first \$1,200 in “qualified tuition and related expenses,” as well as half of qualifying expenses between \$1,200 and \$2,400, to be fully creditable against the taxpayer’s total tax liability. The maximum amount of the credit was \$1,800 per eligible student.

27. The Recovery Act made the Hope Credit available to a broader range of taxpayers, including many with higher incomes and those who owed no tax. The Recovery Act added required course materials to the list of qualifying expenses and allowed the credit to be claimed for four post-secondary education years instead of two. Those eligible qualified for the maximum annual credit of \$2,500 per student.

28. The full credit was available to individuals whose modified adjusted gross income was \$80,000 or less, or \$160,000 or less for married couples filing a joint return. The credit was phased out for taxpayers with incomes above these levels. The income limits were higher than under the Pre-Recovery Act Hope Credit.

**C. The Earned Income Tax Credit**

29. The earned income tax credit (EITC) provided a subsidy for low-income working families. The credit equaled a fixed percentage of earnings from the first dollar of earnings until the credit reached a maximum. Both the percentage and the maximum credit depended on the number of children in the family.

30. The EITC imposed a marriage penalty on some families. If a single parent receiving the EITC married, the addition of the spouse's income would reduce or eliminate the credit. To address this issue, the Economic Growth and Tax Relief Reconciliation Act of 2001 raised the income level at which the EITC began to phase out for couples to \$3,000 above that for single filers. The Recovery Act increased that amount to \$5,000 for 2009 and indexed that threshold to inflation.

**D. Education Credits**

31. The Education Credits were a series of refundable and nonrefundable tax credits that were available to tax filers in 2009 and 2010. The maximum credit per student was \$2,500 (100% of the first \$2,000 and 25% of the next \$2,000 of qualified education expenses). The credit was available for the first 4 years of postsecondary education and 40% of the credit (up to \$1,000) was refundable for many taxpayers. The amount of the credit for 2009 was gradually reduced (phase out) if a filer's modified adjusted gross income was between \$80,000 and \$90,000 or \$160,000 and \$180,000 if a person filed a joint return.

**E. The Child Care Tax Credit**

32. In addition to claiming an EITC, tax filers also qualified, if they had minor age children, to claim a child care tax credit. The credit could only be claimed for child-care

expenses if a parent was working. If a tax filer was married and filed jointly, the filer could claim the credit only if the filer's spouse also worked or attended school full-time for at least five months during the year.

33. The credit was based on up to \$3,000 of eligible expenses to care for one child under the age of 13, or up to \$6,000 for two more kids under 13. If filer's child turned 13 during the year, only expenses which occurred before the child's birthday counted.

34. The credit rate ranged from a high of 35% of eligible expenses (limited to no more than \$3,000 or \$6,000 of expenses) to a low of 20%. The maximum 35% rate was available if the filer's adjusted gross income ("AGI") was \$15,000 or lower. The filer's income included all taxable income items and certain write-offs, including alimony, deductible IRA contributions, and moving expenses. The credit rate gradually dropped to 20% as AGI approaches \$43,000.

#### **F. The Recovery Act's Additional Child Care Credit**

35. Under the Recovery Act, more families became eligible for the additional child tax credit because of a change to the way the credit was computed. Taxpayers who could not take full advantage of the child tax credit because the credit was more than the taxes they owed could receive a payment for some, or all, of the credit not used to offset their taxes. Because this credit was a refundable credit, tax filers could get a tax refund even if the filer did not owe any taxes.

36. The Recovery Act reduced the minimum earned income amount used to calculate the additional child tax credit to \$3,000. Before the Recovery Act, the minimum earned income amount was set to rise to \$12,550. Reducing the amount to \$3,000 permitted more tax filers to use the additional child tax credit and increased the amount of the payments they could

receive.

37. Defendant EDWARD J. RORIE falsely claimed some, or all, of the foregoing credits on at least 25 of the federal tax returns that he prepared for tax years 2009 through 2011.

### **THE DEFENDANT**

38. Defendant EDWARD J. RORIE, a resident of Philadelphia, Pennsylvania, was a tax return preparer. Defendant RORIE did not have a commercial tax preparation office. Instead, he prepared tax returns at his home and would often meet his clients in such places as a public library.

39. Defendant EDWARD J. RORIE applied for and was issued a Preparer Identification Number (“PTIN”) by the IRS. All of the returns prepared by defendant RORIE were paper returns.

40. For tax years 2009 through 2011, defendant EDWARD J. RORIE prepared at least 25 tax returns which were materially false which resulted in a criminal tax loss of at least \$100,000.

41. In preparing the fraudulent returns, defendant RORIE variously claimed deductions and credits to which the taxpayers were not entitled as described in paragraphs 4-8; 17-37.

42. On or about the dates listed in the chart below, in the Eastern District of Pennsylvania, and elsewhere, defendant

### **EDWARD J. RORIE**

willfully aided, assisted, procured, counseled, and advised the preparation and presentation to the Internal Revenue Service of U.S. Individual Income Tax Returns, Forms 1040 and accompanying

Schedules A, in addition to IRS Form 2106 for taxpayers who are known to the Grand Jury and who are identified by their initials and the last four digits of their social security number, when the defendant then and there well knew and believed that the returns and accompanying schedules were materially false as described in each of the following counts:

<b>Count</b>	<b>Tax Year</b>	<b>Return Filer's Initials</b>	<b>On or About Date Return Was Filed</b>	<b>Last Four Digits of Filer's SSN</b>	<b>Materially False Item(s)</b>
1	2009	A.W.	1/31/2010	XXX-XX-3180	<u>IRS Form 1040</u> – line 49 (education credits - \$1,500); line 66 (refundable education credit - \$1000). <u>Schedule A</u> – line 1 (medical and dental expenses - \$4,090); line 24 (miscellaneous expenses - \$6,156).
2	2010	A.W.	2/05/2011	XXX-XX-3180	<u>IRS Form 1040</u> – line 49 (education credits - \$1,500); line 66 (American opportunity credit - \$1000); line 67 (First-time homebuyer credit - \$8,000). <u>Schedule A</u> – line 24 (miscellaneous expenses - \$4,295).
3	2011	A.W.	2/06/2012	XXX-XX-3180	<u>Schedule A</u> – line 24 (miscellaneous expenses- \$7,250).
4	2009	K.F.	4/24/2010	XXX-XX-2606	<u>Schedule A</u> - line 1 (medical and dental expenses - \$8,065); line 24 (miscellaneous expenses -\$10,215).

Count	Tax Year	Return Filer's Initials	On or About Date Return Was Filed	Last Four Digits of Filer's SSN	Materially False Item(s)
5	2010	K.F.	4/24/2011	XXX-XX-2606	<u>Schedule A</u> - line 1 (medical and dental expenses - \$6,099); line 24 (miscellaneous expenses - \$13,005).
6	2011	K.F.	4/29/2012	XXX-XX-2606	<u>IRS Form 1040</u> – line 49 (education credit \$1,500); line 66 (American opportunity credit \$1,000). <u>Schedule A</u> - line 24 (miscellaneous expenses - \$9,816).
7	2009	F.D.	3/21/2010	XXX-XX-4615	<u>Schedule A</u> - line 1 (medical and dental expenses - \$12,275).
8	2010	F.D.	4/24/2011	XXX-XX-4615	<u>Schedule A</u> - line 1 (medical and dental expenses - \$8,020).
9	2011	F.D.	3/06/2012	XXX-XX-4615	<u>Schedule A</u> - line 24 (miscellaneous expenses - \$6,927).
10	2009	J.B.	3/12/2010	XXX-XX-6708	<u>IRS Form 1040</u> – line 49 (education credit \$2,286); line 66 (refundable education credit \$2,000). <u>Schedule A</u> - line 1 (medical and dental expenses - \$10,095); line 24 (miscellaneous expenses - \$12,375).

Count	Tax Year	Return Filer's Initials	On or About Date Return Was Filed	Last Four Digits of Filer's SSN	Materially False Item(s)
11	2010	J.B.	4/03/2011	XXX-XX-6708	IRS Form 1040 – line 49 (education credit \$3,000); line 66 (American opportunity credit \$2,000) Schedule A - line 24 (miscellaneous expenses - \$12,406).
12	2009	K.H.	3/09/2010	XXX-XX-0001	IRS Form 1040 – line 49 (education credits - \$1,500); line 66 (refundable education credit - \$1,000). Schedule A - line 24 (miscellaneous expenses - \$10, 195).
13	2010	K.H.	4/24/2011	XXX-XX-0001	IRS Form 1040 – (education credits - \$1,500); line 66 (American opportunity credit - \$1,000). Schedule A - line 24 (miscellaneous expenses - \$12,560).
14	2011	K.H.	4/26/2012	XXX-XX-0001	IRS Form 1040 –line 49 (education credit - \$1,500); line 66 (American opportunity credit - \$1,000). Schedule A - line 24 (miscellaneous expenses - \$13,240).
15	2009	D.Mc.	3/16/2010	XXX-XX-3240	Schedule A, line 1 (medical and dental expenses - \$8,065); line 24 (miscellaneous expenses - \$8,425).

Count	Tax Year	Return Filer's Initials	On or About Date Return Was Filed	Last Four Digits of Filer's SSN	Materially False Item(s)
16	2010	D. Mc.	2/15/2011	XXX-XX-3240	Schedule A - line 1 (medical and dental expenses -\$10,095); line 24 (miscellaneous expenses - \$12,290).
17	2009	A.S.	2/20/2010	XXX-XX-6309	<u>IRS Form 1040</u> – line 49 (education credit \$1,500); line 66 refundable education credit \$1,000). <u>Schedule A</u> - line 1 (medical and dental expenses - \$12,065); line 24 (miscellaneous expenses - \$13,325).
18	2010	A.S.	4/25/2011	XXX-XX-6309	<u>IRS Form 1040</u> – line 49 (education credit \$1,000; line 51 (child tax credit \$1,050); line 66 (American opportunity credit \$1,000). <u>Schedule A</u> - line 1 (medical and dental expenses - \$7,475); line 24 (miscellaneous expenses - (\$8,786).
19	2011	A.S.	4/18/2012	XXX-XX-6309	<u>Schedule A</u> - line 1 (miscellaneous expenses - \$8,856).
20	2009	G.E.	2/20/2010	XXX-XX-3596	<u>IRS Form 1040</u> – line 49 (education credit \$1,500); Line 66 (refundable education credit \$1,000) <u>Schedule A</u> - line 1 (medical and dental expenses - \$10,825).

<b>Count</b>	<b>Tax Year</b>	<b>Return Filer's Initials</b>	<b>On or About Date Return Was Filed</b>	<b>Last Four Digits of Filer's SSN</b>	<b>Materially False Item(s)</b>
21	2010	G.E.	2/07/2011	XXX-XX-3596	<p><u>IRS Form 1040</u> – line 49 (education credit \$1,500); line 66 (American opportunity credit \$1,000).</p> <p><u>Schedule A</u> - line 1 (medical and dental expenses - \$8,065); line 24 (miscellaneous expenses - \$8,250).</p>
22	2011	G.E.	2/11/2012	XXX-XX-3596	<p><u>Schedule A</u> - line 24 (miscellaneous expenses - \$10,275).</p>
23	2009	J.C.	4/23/2010	XXX-XX-6227	<p><u>Schedule A</u> - line 1 (medical and dental expenses - \$15,095); line 24 (miscellaneous expenses - \$15,425).</p>
24	2010	J.C.	2/15/2011	XXX-XX-6227	<p><u>Schedule A</u> - line 1 (medical and dental expenses (\$12,075); line 24 (miscellaneous expenses \$15,370).</p>
25	2011	J.C.	2/15/2012	XXX-XX-6227	<p><u>Schedule A</u> - line 24 (miscellaneous expenses - \$11,239).</p>

All in violation of Title 26, United States Code, Section 7206(2).

**A TRUE BILL:**

\_\_\_\_\_  
**GRAND JURY FOREPERSON**

\_\_\_\_\_  
**ZANE DAVID MEMEGER  
UNITED STATES ATTORNEY**