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IRS TAKES BACK \$17 MILLION FROM CROOKED TAX-PREPARER

By: Joseph Foy

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Lester Morrison, leader of a tax preparation business, orchestrated a multimillion dollar scheme to commit tax fraud from multiple locations in New York and New Jersey over a period of over eight years, according to findings by the New York IRS Criminal Investigation Division. Together with codefendants Paulette Bullock, Kevin Vaden, Gary Hanna and Joy David, they filed some 8,000 returns – most of them fraudulent.

The Bronx locations were “Tax Prep Inc.,” “Tax Prep Services,” and “24 Hour Income Tax Refund Service.” The Englewood, NJ locations were known as “Express Tax Services” and “Dynasty Tax Service.” Their deceptive practices resulted in more than \$28 million in fraudulent refunds. At sentencing last week, Morrison was ordered to pay \$17.34 million to the IRS.

Among some of the schemes that Morrison and his co-conspirators employed included using stolen identities of deceased children to falsely claim them as dependents on clients’ returns, claiming “business losses” from fictitious businesses, claiming as deductions thousands of dollars in non-existent charitable contributions

and miscellaneous job expenses as well as falsely claiming credits for education expenses. His crew also and (5) falsely claiming credits for child-care expenses. Joy David was also sentenced in January and ordered to pay back \$831,321 in restitution to the IRS.

The New York Field Office participated in three other investigations that yielded significant forfeiture or restitution outcomes in this month:

- Adria and Anita Demaray were charged with a money laundering conspiracy in the Southern District of New York. In 2009, the pair received what they believed to be narcotics proceeds from an undercover federal agent working undercover. They allegedly attempted to engage in a financial transaction to conceal and disguise the source of the alleged illegal proceeds. Adria Demaray was further charged with structuring financial transactions to avoid generating currency transaction reports. The indictment charged a forfeiture allegation, seeking \$150,000 forfeiture involved in the illegal structuring of transactions.
- Richard Quinn was ordered to pay back \$101,338 to the Internal Revenue Service in payment of back taxes. Quinn was the owner of Capitol Barter Exchange, a clearinghouse for people seeking to exchange goods and services to others without the exchange of money. Quinn collected membership fees and maintained records of the value of goods or services exchanged by each member on an annual basis. Quinn was responsible for preparing a 1099-B reporting the express value of those goods or services exchanged. From 2003 through 2005, Quinn did not prepare or file these forms for several corporations. In addition, he prepared false 1099-B forms, reducing the amount of barter income earned by several corporations. Collectively, the amount of taxes that were understated is \$101,338.
- Felix Madruga paid back \$198,900 in restitution to the Internal Revenue Service for back payroll taxes. From 2004-2009, Madruga, who owned three corporations, Gibacoa Construction Corp., Baracoa Construction Corp., and Santa Maria Construction Corp., located in Bellerose, Queens, N.Y., paid employees in cash without collecting FICA taxes and did not file forms 941 to report payroll taxes in various years. During those various years, he failed to collect, truthfully account for and pay over to the IRS FICA taxes totaling approximately \$198,900.

Joseph Foy is a Special Agent and Public Information Officer with the IRS-CI in New York.

Relevant information

- [NY Times quotes inaugural CSAR and IAAR advisor Barden on Gaddafi asset chase](#) (/wmb-03-07-2011)
- [Madoff trustee: 'Willfully blind' Mets owners benefited from returns and must return \\$1 billion](#) (/madoff-trustee-%E2%80%98willfully-blind%E2%80%99-mets-owners-benefited-returns-and-must-return-1-billion)
- [New York's governor proposes financial regulatory overhaul and tough new powers](#) (/new-york%E2%80%99s-governor-proposes-financial-regulatory-overhaul-and-tough-new-powers)
- [CSAR FBI agent has battled fraud, recovered assets for more than 15 years](#) (/csar-fbi-agent-has-battled-fraud-recovered-assets-more-15-years)

- [Duvalier's millions likely to return to Haiti](#) (wmb-1-16-2011)