

NEWS

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FOR IMMEDIATE RELEASE

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Husband and Wife Tax Preparers Sentenced to Prison for Stealing from Investors They Induced and Defrauded

– Case is Among Numerous Others Brought as Tax-Filing Deadline Arrives –

(More)

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NEWARK – A husband and wife from Middlesex County who operated a tax preparation business were sentenced today to federal prison terms for participating in a scheme to defraud investors out of nearly \$2.5 million and to evading the payment of federal income taxes, Acting U.S. Attorney Ralph J. Marra, Jr., announced.

U.S. District Judge William J. Martini sentenced Janet Neely, 54, of South River, to 97 months in federal prison and entered a forfeiture order for approximately \$2.5 million. Judge Martini sentenced Neely's husband, Charles, 60, to 20 months in prison and ordered him held responsible for the same forfeiture order as his wife. Judge Martini deferred his restitution decision for 30 days.

A number of victims spoke at the sentencing, some of them elderly individuals who entrusted their life savings with the Neelys only to lose it all. Judge Martini described the Neelys actions as "heinous crimes" that were perpetrated against "real victims who were good, hard-working Americans who lost their life's savings."

Judge Martini continued Janet and Charles Neely's release on \$500,000 and \$150,000 bonds, respectively, adding electronic monitoring as a condition of Janet's release, pending their surrender to the federal Bureau of Prisons on a date to be determined by prison officials.

The Neelys pleaded guilty on Nov. 6 to conspiracy to commit mail fraud, mail fraud and tax evasion. The Neelys agreed then to forfeit property, including seven tow trucks (from a family towing business), a bank account worth approximately \$60,000, a 2002 Pontiac Trans Am and a 2002 Cadillac Deville. All were alleged to have been derived from proceeds of the fraud.

In executing their scheme to defraud, Janet Neely solicited clients, mostly tax-preparation clients, to invest money with Neely Associates under the false representation that their money would be invested in municipal bond funds, would be safe and earn tax-free interest. To further induce investors, the Neelys provided fabricated account statements that made it appear as if the investors' money had been invested as promised.

From about January 2002 through February 2008, the Neelys admitted that they defrauded approximately 47 investors of almost \$2.5 million.

The Neelys gambled away some of the investors' money at casinos in New Jersey and elsewhere, and spent some of the money on cruises, cars, tow trucks, collectibles, electronics and other personal items.

The Neely prosecutions were among numerous other tax-related cases prosecuted throughout the 2008 tax year. The defendants have been charged with or admitted various

federal offenses, such as evading taxes, failing to file tax returns or preparing and assisting others in the preparation of fraudulent federal income tax returns. As illustrated below, these offenders have received or face lengthy prison terms, fines and mandatory restitution.

“The Neely case is one of those cruel hoaxes perpetrated on people who in all likelihood worked their whole lives honestly, saved for retirement and paid their taxes year after year,” said Marra. “Unfortunately, we see too many criminals like the Neelys who prey on vulnerable and often unsophisticated investors simply to fatten their bank accounts or support a luxury lifestyle they couldn’t otherwise attain honestly.”

“For most people, April 15th, Tax Day, comes and goes without any particular fanfare. However, for others, like the Neely's, it should serve as a wake up call that there are consequences for intentionally evading your taxes,” said William P. Offord, Special Agent in Charge of the IRS Criminal Investigation Division in New Jersey. “Year-round efforts of the IRS Criminal Investigation Division are directed at that portion of Americans who willfully and intentionally violate their legal duty to voluntarily file lawful and accurate tax returns or commit tax fraud. We should not expect honest taxpayer to foot the bill for those who hide income from the IRS.”

Among other criminal prosecutions for the 2008 tax year:

- On Feb. 11, 2009, the former second-in-command at the Kushner Companies was sentenced to 38 months in federal prison and ordered to pay a \$100,000 fine for his jury conviction on charges of conspiring to defraud the United States and aiding and assisting in the filing of false partnership tax returns. U.S. District Judge Jose L. Linares also ordered Richard Stadtmauer, 49, of Livingston, to pay the costs of prosecution totaling approximately \$20,000 and to serve three years of supervised release upon the completion of his prison term. Stadtmauer was among four others, including Charles Kushner, to be convicted in connection with the tax fraud. Stadtmauer was the only one to go to trial while the others pleaded guilty.
- On Feb. 25, 2009, the owner of a restaurant in New York City, The Evelyn, was sentenced to 14 months in prison followed by two years supervised release. U.S. District Judge Faith S. Hochberg also ordered Richard Pantina to pay a \$30,000 fine. During the years 2001 and 2002, Pantina received income from the restaurant in the form of cash which he failed to deposit into the business account and instead used for his own personal purposes. During the years 2001 and 2002, Mr. Pantina diverted to his own personal use approximately \$76,154 and \$292,027, respectively. None of the diverted receipts were reported on his personal tax returns.

- On Dec. 9, 2008, a South Orange woman pleaded guilty to a conspiracy to obtain tax refunds from the IRS based on fraudulent income tax returns, admitting that for two years she and her co-conspirators illegally obtained nearly \$200,000 in tax refunds. Cassandre Moinville, 34, of South Orange, pleaded guilty to a one-count Indictment charging conspiracy to defraud the federal government. Moinville admitted that, during a two-year period, she and her co-defendants, Lunic Adisson, Robert Desrosiers, and Yves Desir, Jr., agreed to obtain tax refunds from the IRS by fraud. Sentencing is scheduled for April 20.
- On Feb. 19, 2009, the owner of Factory Direct Modular Homes, Inc. in Brick pleaded guilty to tax charges for under-reporting the business's income for tax years 2002 and 2003 by a total of approximately \$406,000. Janice Pfefferkorn, 54, a.k.a. "Janice Morton," pleaded guilty before U.S. District Judge Mary L. Cooper, to a two-count Information charging her with two counts of filing a false federal tax return. At her plea hearing, Pfefferkorn admitted that in March 2004 she intentionally filed a false 2002 IRS Form 1120 (Federal Corporate Tax Return) for FDMH that understated the company's gross taxable income by approximately \$160,600. Furthermore, Pfefferkorn admitted that in October 2004 she intentionally filed a false tax year 2003 IRS Form 1120 for FDMH which understated the company's gross taxable income by approximately \$245,400. Sentencing is scheduled for June 19.
- On May 14, 2008, an Essex County man was sentenced to six years in federal prison for filing fraudulent tax returns on behalf of numerous New Jersey residents resulting in a loss to the government in excess of \$2.5 million. U.S. District Judge William H. Walls also ordered Romanus Okorie, 51, of Irvington, to pay a \$100,000 fine and prohibited him from working as a tax preparer for three years following his release from prison. On Jan. 22, 2008, after a two- week trial and just two hours of deliberations, a jury convicted Okorie of 10 counts of willfully preparing materially false tax returns.

Marra credited the IRS Criminal Investigation Division, under the direction of Special Agent in Charge Offord, with the agency's continuous efforts to investigate tax fraud and tax evasion.

For the Neely case, Marra credited Special Agents of the FBI, under the direction of Special Agent in Charge Weysan Dun; Special Agents of the IRS Criminal Investigation Division, under the direction Offord; Postal Inspectors with the U.S. Postal Inspection Service, under the direction of Postal Inspector in Charge David L. Collins; and Special Agents of the Social Security Administration Office of Inspector General, with

developing the case. Christie also thanked Middlesex County Prosecutor Bruce J. Kaplan and his investigators for their joint efforts in the case.

The Neely case was prosecuted by Assistant U.S. Attorney Maureen Nakly, of the U.S. Attorney's Office in Newark. Securities and Health Care Fraud

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Defense counsel for Charles Neely: Lawrence Bitterman, Esq.
Defense counsel for Janet Neely: Joseph Benedict, Esq.