

**FILED**

JUN 11 2015

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

THOMAS G. BRUTON  
CLERK, U.S. DISTRICT COURT

**JUDGE ALONSO**  
**MAGISTRATE JUDGE COX**

UNITED STATES OF AMERICA )  
)  
v. )  
)  
)  
)  
CARLOS L. SMITH, )  
)  
)  
)

No. 15 CR 211  
Violations: Title 18, United States Code,  
Sections 641, 1028A, 1343  
and Title 26, United States  
Code, Section 7206(1)

**COUNTS ONE THROUGH FOURTEEN**

The SPECIAL JANUARY 2015 GRAND JURY charges:

- 1. At times material to this indictment:
  - a. Defendant CARLOS L. SMITH resided within the Northern District of Illinois.
  - b. The Internal Revenue Service ("IRS") was an agency of the United States Department of the Treasury and, among other things, was responsible for administering the tax laws of the United States, collecting income taxes from individuals and entities, and providing income tax refunds to eligible individuals and entities.
  - c. CLS Financial Services Inc., located in Chicago, Illinois, was a business operated by the defendant which purported to engage in credit repair, business consulting and tax preparation services.
  - d. Defendant maintained accounts in the name of CLS Financial Services, Inc. at JP Morgan Chase bank with account numbers ending in 2235 and 0091.
  - e. Defendant maintained accounts in the name of CLS Financial Services, Inc. at First Midwest Bank with account numbers ending in 5014 and 9879.

f. U.S. Individual Income Tax Return Form 1040 required a taxpayer to provide, among other information, the taxpayer's name, address, social security number, the total income for the tax year, the amount of federal income taxes withheld from the taxpayer's wages during that year, and the amount of tax due or refund claimed. An Amended U.S. Individual Income Tax Form 1040X was a form whereby a taxpayer could correct information provided on a previously filed Form 1040. The IRS considered the information from the Forms 1040 and 1040X in determining and issuing refunds.

g. A Form W-2 was a form produced by an employer at the conclusion of a tax year to show, for that tax year, the employee's wages and those taxes withheld from the employee's paycheck.

h. A Form 1099 was a form produced to show all compensation for a given tax year that was not received as part of employment, such as rental income, self-employment income or independent contractor income.

2. Beginning no later than February 2013 and continuing through April 2015, within the Northern District of Illinois and elsewhere,

CARLOS L. SMITH,

defendant herein, having knowingly and intentionally devised and intended to devise a scheme to defraud the IRS, and to obtain money from the IRS by means of false and fraudulent pretenses, representations, and promises, which scheme is further described below.

#### The Scheme

3. It was part of the scheme, through the operation of his purported business CLS Financial Services, Inc. and otherwise, that the defendant obtained personal information, including names, dates of birth, and Social Security numbers, for the purpose of filing false federal income tax returns.

4. It was further part of the scheme that the defendant used this personal information of other individuals, without their knowledge or authorization, to prepare and electronically file U.S. Individual Income Tax Returns, Forms 1040 and 1040X, that falsely represented, among other items, wage information, federal income tax withholdings, business expenses, occupation name and IRA deductions. As a result of this false information, the returns fraudulently claimed over \$400,000 in federal tax refunds.

5. It was further part of the scheme that the defendant caused those false income tax returns to be electronically transmitted via interstate wire from the Northern District of Illinois to IRS Services Centers located in states other than Illinois.

6. It was further part of the scheme that the defendant caused the refunds issued in conjunction with these false tax returns (1) to be deposited onto prepaid debit cards to which the defendant had access, or (2) to be issued in the form of United States Treasury checks mailed to

locations where the defendant was authorized to receive mail or (3) to be deposited into bank accounts that the defendant controlled.

7. It was further part of the scheme that the defendant caused those tax refunds to be electronically deposited into bank accounts at JP Morgan Chase and First Midwest Bank, and onto pre-paid debit cards that he controlled. The defendant established or caused to be establish the prepaid debit card accounts, placed the account number and routing information for the particular debit card on the false tax return filed, and then used the tax refund deposited onto that prepaid debit card for his own personal expenses.

8. It was further part of the scheme that the defendant concealed, misrepresented, and caused to be concealed and misrepresented the existence and purpose of the scheme.

9. On or about each date listed below, in the Northern District of Illinois, the defendant, for the purpose of executing the above-described scheme, and attempting to do so, transmitted and caused to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds, that is (a) fraudulent federal income tax refunds and (b) electronically filed false individual income tax returns, across state lines, as set forth below, each such use of the wire being a separate count of this Indictment:

Count	Date of Offense	Wire Communication
1	2/10/2013	Direct deposit of federal income tax refund in the amount of \$5,000, in the name of R.S., onto a prepaid debit card registered in the name of R.S.
2	2/25/2014	Direct deposit of federal income tax refund in the amount of \$13,605, in the name of C.W., into the defendant's JP Morgan Chase account ending in 2235.
3	2/27/2014	Direct deposit of federal income tax refund in the amount of \$10,000, in the name of T.I., into the defendant's First Midwest account ending in 9879.
4	3/4/2014	Direct deposit of federal income tax refund in the amount of \$10,945, in the name of L.S., into the defendant's JP Morgan Chase account ending in 2235.

Count	Date of Offense	Wire Communication
5	5/7/2014	Direct deposit of federal income tax refund in the amount of \$11,032, in the name of G.C., into the defendant's First Midwest account ending in 9879.
6	5/14/2014	Direct deposit of federal income tax refund in the amount of \$17,110, in the name of K.B., into the defendant's First Midwest account ending in 9879.
7	5/21/2014	Direct deposit of federal income tax refund in the amount of \$12,400, in the name of Q.L., into the defendant's First Midwest account ending in 9879.
8	2/1/2013	Electronically filed 2012 individual income tax return in the name of L.S. claiming a tax refund of \$10,639.
9	2/1/2013	Electronically filed 2012 individual income tax return in the name of Q.L. claiming a tax refund of \$9,886.
10	2/1/2013	Electronically filed 2012 individual income tax return in the name of G.C. claiming a tax refund of \$9,444.
11	2/13/2013	Electronically filed 2012 individual income tax return in the name of C.W. claiming a tax refund of \$10,916.
12	9/3/2013	Electronically filed 2012 individual income tax return in the name of K.P. claiming a tax refund of \$8,894.
13	10/4/2013	Electronically filed 2012 individual income tax return in the name of T.I. claiming a tax refund of \$10,004.
14	3/3/2015	Electronically filed 2014 individual income tax return in the name of V.H. claiming a tax refund of \$14,947.

All in violation of Title 18, United States Code, Section 1343.

**COUNTS FIFTEEN THROUGH TWENTY-THREE**

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraph 1 of Counts One through Fourteen are incorporated here.
2. On or about the dates listed below, within the Northern District of Illinois and elsewhere,

CARLOS L. SMITH,

defendant herein, did steal and knowingly convert to his own use money of the United States, administered by the Department of Treasury, in the form of fraudulent income tax refunds in the names of individuals whose initials are listed below, which were deposited into bank accounts the defendant controlled, which funds defendant was not entitled to receive:

<u>Count</u>	<u>Date Deposited</u>	<u>Individual in Whose Name Refund Was Issued</u>	<u>Amount of Refund Deposited</u>
15	2/10/2013	R.S.	\$5,000
16	2/25/2014	C.W.	\$13,605
17	2/27/2014	T.I.	\$11,270
18	3/4/2014	L.S.	\$10,945
19	5/7/2014	G.C.	\$11,032
20	5/14/2014	K.B.	\$17,110
21	5/21/2014	Q.L.	\$12,400
22	5/28/2014	CARLOS L. SMITH	\$41,999.56
23	6/16/2014	T.I.	\$37,680

All in violation of Title 18, United States Code, Section 641.

**COUNTS TWENTY-FOUR THROUGH TWENTY-NINE**

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraph 1 of Counts One through Fourteen are incorporated here.
2. On or about the dates listed below, within the Northern District of Illinois and elsewhere,

CARLOS L. SMITH,

defendant herein, did knowingly transfer, possess, and use a means of identification, specifically names and Social Security numbers, of actual persons known to the grand jury without lawful authority to do so, during and in relation to the wire fraud counts in this Indictment as identified below:

<u>Count</u>	<u>Date Deposited Into Defendant's Accounts</u>	<u>Individuals whose Identities Were Used</u>	<u>Amount Deposited Into Defendant's Accounts</u>	<u>Related Wire Fraud Count</u>
24	2/25/2014	C.W.	\$13,605	Count 2
25	2/27/2014	T.I.	\$10,000	Count 3
26	3/4/2014	L.S.	\$10,945	Count 4
27	5/7/2014	G.C.	\$11,032	Count 5
28	5/14/2014	K.B.	\$17,110	Count 6
29	5/21/2014	Q.L.	\$12,400	Count 7

All in violation of Title 18, United States Code, Sections 1028A(a)(1), (c)(1) and (c)(4).

**COUNTS THIRTY THROUGH THIRTY-FOUR**

The SPECIAL JANUARY 2015 GRAND JURY further charges:

1. The allegations in paragraph 1 of Counts One through Fourteen are incorporated here.
2. On or about the dates listed below, within the Northern District of Illinois and elsewhere,

CARLOS L. SMITH,

defendant herein, did willfully make and subscribe and file with the IRS, United States Individual Income Tax Returns (Form 1040) and Amended U.S. Individual Income Tax Returns (Form 1040X), in his own name for the tax years identified in the table below, which were verified by written declaration that they were made under the penalties of perjury and which the defendant did not believe to be true and correct as to every material matter. The tax returns were false as to total payments and refunds claimed, identified by line item below, and the defendant then and there knew the total payments and refunds claimed were false:

<u>Count</u>	<u>Form</u>	<u>Filing Date</u>	<u>Tax Year</u>	<u>False Items</u>	<u>Refund Claimed</u>
30	1040	2/9/2013	2012	Total Payments & Refund Claimed	\$12,585
31	1040X	10/1/2013	2012	Total Payments & Refund Claimed	\$12,309
32	1040	2/8/2014	2013	Total Payments & Refund Claimed	\$22,219
33	1040X	3/20/2014	2013	Total Payments & Refund Claimed	\$46,987
34	1040	2/10/2015	2014	Total Payments & Refund Claimed	\$25,418

All in violation of Title 26, United States Code, Section 7206(1).



A TRUE BILL

---

FOREPERSON

---

UNITED STATES ATTORNEY

---

TRIAL ATTORNEY  
TAX DIVISION  
UNITED STATES DEPARTMENT OF JUSTICE