NEWS RELEASE

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CORDOVA COUPLE SENTENCED FOR TAX CRIMES

Anchorage, Alaska – U.S. Attorney Karen L. Loeffler announced today that James Leroy Jensen, 59, and Robin L. Jensen, 60, residents of Cordova, Alaska, were sentenced for willfully violating federal income tax laws.

James Jensen had previously pled guilty to evading taxes associated with his 1994 through 1997 income tax returns and was sentenced by U.S. District Court Judge Timothy M. Burgess to 3 years in prison, a $25,000 fine, and 600 hours of community service. Robin Jensen previously pleaded guilty to filing a false 2000 income tax return, and was sentenced by Judge Burgess to 2 years in prison, a $10,000 fine, and 200 hours of community service.

The Jensen's were also ordered to pay $311,605.65 in restitution to the U.S. Treasury and to file 2006-2009 tax returns as a condition of their supervised release. The IRS has already levied and recovered $294,537.28 in back taxes that were being held on their behalf by the Exxon Qualified Trust Fund.

According to their plea agreements, James Jensen is a commercial fisherman and Robin Jensen ran a cabin rental business in Cordova. After the IRS audited their 1994-1997 tax returns, the Jensen's owed over $100,000 in additional taxes and they began to challenge the jurisdiction of the IRS, and the authority of the federal government to tax them.

In 2001, the IRS recorded a Notice of Federal Tax Lien of $201,029 against the Jensen's for tax years 1994 through 1997. The Jensen's appealed the IRS collection process and went to tax court in 2003. At a hearing, the presiding judge said that James Jensen's arguments about his tax liability were "frivolous gibberish." The judge denied the appeal and fined James Jensen an additional $10,000.

Instead of complying with the tax laws, the Jensen's created several entities including a trust in Nevada and two "corporation soles" in Utah, one of which named James Jensen as "overseer." These nominee entities were used to take title to assets that belonged to the Jensen's, and thereby, open bank accounts for the Jensen's to conceal income, including over a million dollars accredited to James Jensen's fishing income between 2004 and 2007. James Jensen used money from these accounts to purchase at least $100,000 in gold coins and pay off a timeshare condominium in Kahana Beach, Hawaii.

In addition, according to the plea agreement, James Jensen tried to thwart IRS collection efforts by mailing a false document called a “Bill of Exchange” to the Secretary of the U.S. Treasury. This document purported to be a payment of $339,888.81 that would eliminate his tax debt for 1994 through 1997. James Jensen also attempted to use these same false documents to have IRS liens removed from his funds in the Exxon Qualified Settlement Fund. Both of these attempts failed.

The Jensen’s also filed false tax returns from 1998-2003, claiming they had no taxable income because their earnings were not taxable under the discredited “claim of right” theory. Finally, the Jensen’s failed to file tax returns from 2004-2007, based on claims that the corporation sole entities they created in Utah, “Rhema Foundation” and “Eyak River Ministries”, were exempt from filing tax returns or paying taxes for religious reasons.

The government’s sentencing memorandum concerning Robin L. Jensen argues that she colluded with her husband to conceal assets from IRS collection efforts and that, rather than fulfilling their tax obligations, the Jensen’s “flooded” the IRS with frivolous literature and for 14 years and used a complex series of schemes to avoid paying their taxes.

During the sentencing hearing, Judge Burgess described the Jensen's tax evasion schemes as "sophisticated, well thought-out, and relentless." The judge also recognized that the Jensen's, like other tax evaders, still took advantage of all the benefits that the government provides, even without paying their share.

U.S. Attorney Karen Loeffler noted that paying taxes on income is a necessary part of citizenship, and those that simply refuse, for no good reason; to pay their proper share will be justly and properly prosecuted for their wilful crimes.

The case was investigated by the Internal Revenue Service – Criminal Investigation Division and was jointly prosecuted by Assistant U.S. Attorney Bryan Schroder of the U.S. Attorney’s Office for the District of Alaska and Ignacio Perez de la Cruz of the Department of Justice Tax Division.

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