



# UNITED STATES ATTORNEY'S OFFICE

## *Southern District of New York*

U.S. ATTORNEY PREET BHARARA

FOR IMMEDIATE RELEASE  
Tuesday, June 18, 2013  
<http://www.justice.gov/usao/nys>

CONTACT: Ellen Davis, Jerika Richardson  
Jennifer Queliz, Julie Bolcer  
(212) 637-2600

### **LEADER OF MASSIVE TAX REFUND FRAUD SCHEME PLEADS GUILTY IN MANHATTAN FEDERAL COURT**

Preet Bharara, the United States Attorney for the Southern District of New York, announced that MELVIN DUARTE pled guilty today in Manhattan federal court for his role in a scheme to fraudulently generate and then steal more than \$50 million in federal tax refund checks. DUARTE was originally arrested in 2008 and subsequently fled the U.S. He was extradited from the Dominican Republic and arrived in the U.S. in January 2013. DUARTE pled guilty before U.S. Circuit Court Judge Denny Chin, sitting by designation.

Manhattan U.S. Attorney Preet Bharara said: "The \$50 million tax refund fraud scheme Melvin Duarte orchestrated is among the largest known cases of its kind, and Duarte's guilty plea today is a significant victory in our fight to hold tax refund fraudsters to account. Our commitment to prosecuting those who engage in this type of scheme – the use of stolen Puerto Rican identities to fraudulently obtain tax refunds – is unwavering. We have aggressively pursued these schemes since at least 2008, and in just the last 12 months have charged at least 55 defendants who allegedly sought to cause approximately \$230 million in losses to the IRS."

According to the Indictment and other documents filed in Manhattan federal court:

DUARTE was charged as part of an investigation into a massive tax and mail theft scheme. As part of the scheme, co-conspirators operating out of the Dominican Republic and other places electronically filed thousands of fraudulent federal tax returns, seeking tens of millions of dollars in tax refunds. The fraudulent returns were filed using Social Security numbers and other identifying information stolen from residents of Puerto Rico. Participants in the scheme targeted Social Security numbers assigned to residents of Puerto Rico because they are generally not required to file federal tax returns with the Internal Revenue Service ("IRS"), as long as their income is derived solely from Puerto Rican sources. In so doing, the co-conspirators minimized the risk that legitimate federal tax returns were already filed by the holders of the Social Security numbers that they were using in the scheme.

Each of the tax returns at issue falsely represented that the taxpayer resided at an address in the Bronx, where the refund check requested in the return was to be sent. The checks were then stolen by letter carriers assigned to the mail routes where the checks were sent and who had been recruited beforehand to participate in the scheme. The letter carriers participating in the scheme were paid a kickback for each check that they stole. The letter carriers passed the checks on to other co-conspirators, who cashed them at various banks and check-cashing businesses located in the U.S. and the Dominican Republic.

Over the course of the scheme, thousands of false and fraudulent federal tax returns were filed seeking more than \$50 million of fraudulent tax refunds from the IRS.

DUARTE was previously convicted in 2002 for conspiracy to steal federal funds, based on substantially similar conduct and was sentenced to three years of probation.

\* \* \*

DUARTE, 37, resided in Bronx, New York, prior to his 2008 flight to the Dominican Republic. He faces a maximum sentence of 10 years in prison on the charge of conspiracy to defraud the United States with respect to claims, a maximum sentence of five years in prison on the charge of conspiracy to steal mail, and a maximum sentence of five years in prison on the substantive theft of mail charge. DUARTE also faces a maximum of three years of supervised release and a fine of the greatest of \$250,000, twice the gross pecuniary gain derived from the offense, or twice the gross pecuniary loss to persons other than the defendant resulting from the offense on each of the charges. He is scheduled to be sentenced by Judge Chin on October 24, 2013 at 11:00 a.m.

Mr. Bharara praised the work of the Internal Revenue Service, Criminal Investigation, the Federal Bureau of Investigation, the United States Postal Inspection Service, and the United States Postal Service Office of Inspector General, and thanked them for their work in this case. He also thanked the Dominican National Police for their significant assistance in the investigation.

This case is being handled by the Office's Complex Frauds Unit. Assistant U.S. Attorney Daniel W. Levy is in charge of the prosecution.

13-211

###