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FRAUD

CPAs Indicted in \$1 Billion North Texas Tax Shelter Scheme

The case centers around Dallas tax attorney Joseph Garza, who is described as the mastermind of the scheme.

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Three more people now face federal charges related to a tax scheme that authorities say hid \$1 billion in income from the IRS.

Kevin McDonnell and James Richardson, CPAs who co-own the Waxahachie tax and accounting firm McDonnell Richardson, along with Craig Fenton, a tax manager at the firm, were indicted in connection with the case, the U.S. attorney's office for the Northern District of Texas announced Wednesday.

The case centers around Dallas tax attorney Joseph Garza, 79, whom authorities have described as the “mastermind” of the scheme and who **faces more than 40 charges** related to wire fraud and filing falsified tax returns. He pleaded not guilty at his initial court appearance.

McDonnell—who is also an attorney—Richardson and Fenton each face one count of conspiracy to defraud the United States, one count of conspiracy to commit wire fraud and five counts of assisting in the preparations of fraudulent tax returns, prosecutors said.

Garza is accused of handpicking tax professionals, including McDonnell, Richardson and Fenton, to help him hide taxable income for his clients, the attorney's office said.

Garza charged his clients a percentage of the money they were trying to hide from the IRS, prosecutors alleged, and the tax professionals who were part of the scheme also were compensated.

Authorities say the people who took part in the scheme used shell companies to avoid taxes. They are accused of creating “sham” operating and service agreements, fake invoices and false private annuity agreements to make the companies look legitimate.

The three defendants from the Waxahachie firm then helped their clients prepare fraudulent tax returns, prosecutors said.

In all, more than \$1 billion was hidden from the IRS, resulting in more than \$200 million in unpaid taxes, according to authorities.

“Today's indictments reinforce our commitment to every American taxpayer ... to work tirelessly to identify and prosecute tax professionals who devise illegal tax

shelters to evade the tax obligations of their wealthy clients,” Christopher J. Altemus Jr., special agent in charge of the IRS’s Dallas office, said in a written statement.

If convicted, McDonnell, Richardson and Fenton face up to 20 years in prison for conspiracy to commit wire fraud, five years for conspiracy to defraud the United States and three years for each count of filing of false tax returns.

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