Former IRS official pleads guilty to $1.3 million tax fraud

by Bend_Weekly_News_Sources

WASHINGTON â€“ A former Internal Revenue Service (IRS) district director pleaded guilty Thursday to conspiring to defraud the United States through his involvement in a tax fraud scheme promoted by the Topeka, Kansas-based â€œRenaissance, The Tax People, Inc.,â€• the Justice Department and the Internal Revenue Service announced. During a hearing before U.S. District Judge Carlos Murguia in Kansas City, Kan., Jesse Ayala Cota admitted defrauding the U.S. Treasury of more than $1.3 million and to earning more than $300,000 from his participation in the scheme.

Cota, 65, of Vista, Calif., admitted in his plea agreement that from 1997 though April 2002, the conspirators, through Renaissance, operated a scheme to defraud the government and individuals by marketing a program designed to sell illegal tax deductions through false and misleading representations. His co-conspirators, Todd Eugene Strand and Daniel Joel Gleason, previously pleaded guilty to the same fraudulent scheme. Additionally, Cota admitted that during his participation in the conspiracy, those involved prepared or had others prepare false federal income tax returns resulting in a tax loss of approximately $1.3 million.

â€œThe Justice Departmentâ€™s Tax Division has made it a priority to stop tax fraud schemes by identifying, investigating and prosecuting those who promote them and those who use them,â€• said Eileen J. Oâ€™Connor, Assistant Attorney General for the Justice Departmentâ€™s Tax Division. â€œThese schemes are a fraud on the federal Treasury, and an insult to all who pay the taxes the law requires.â€•

Cota also admitted that he and his co-conspirators falsely assured their clients and others that Renaissanceâ€™s tax system was legal. Cota acknowledged that on Oct.16, 2000, a co-conspirator sent an e-mail message to customers falsely asserting that there existed written endorsements from â€œover 2,000 tax attorneys, enrolled agents and CPAs (certified public accountants) that every strategy contained in the Tax Relief System is absolutely sound, unassailable and proven over the past 40 years.â€• The e-mail also falsely claimed that â€œ[t]he training offered by Renaissance, the Tax People, through the Tax Relief System . . . was approved for continuing education credit for CPAs in all 50 states.â€•

â€œMr. Cota was the director of Renaissanceâ€™s so-called â€˜Tax Dream Team,â€™â€• said Eric Melgren, U.S. Attorney for the District of Kansas. â€œRenaissance used Cotaâ€™s credentials as a former district director for the Internal Revenue Service to lend the tax fraud scheme legitimacy and to induce people to join and to remain members.â€•

Renaissance used Cotaâ€™s IRS credentials, including his prior service as District Director, to induce people to join Renaissance, to assuage their concerns, and to keep them as members.

â€œThis is an example of someone implying he has â€˜insider informationâ€™ to help others enrich themselves by buying into his bogus tax avoidance system. However, what he sold was long-term legal and

financial problems for those who bought his advice,â€• said IRS Criminal Investigation Chief Eileen C. Mayer. â€œDonâ€™t be misled by promises of some secret path known only to insiders that is supposed to lead you to freedom from paying income taxes. There is no such path and there are no such secrets.â€•

Todayâ€™s plea brings the number of individuals who have pleaded guilty to felony charges in this and other Renaissance-related cases to seven, including Strand, Gleason, Thomas Steelman, Frankie Ruth, Elizabeth Crotts, and Alexander Federico.

Cota faces a potential maximum sentence of five years in prison followed by up to three years of supervised release, a $250,000 fine, and liability for the costs of prosecution. U.S. District Judge Carlos Murguia scheduled sentencing for January 2008. This case was investigated by the Internal Revenue Service, Criminal Investigation Division and the U.S. Postal Inspection Service.

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