

WINSTONE GROUP

IRS Tax Scam Robs Multi-Million-Dollars From Americans

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In connection with this week's indictment, the defendants were involved in a sophisticated fraudulent scheme organized by conspirators in the US and India, including a network of 5 call-centers in Ahmedabad, India. This is a different scheme from the one widely reported on October 4, 2016 involving the raid on 3 call centers in an office building near Mumbai that were perpetrating IRS impersonation scams for at least one year. Although the two operations may have used the same "runners," the recent busted scheme relied on prepaid debit cards falsely registered to 50,000 identity theft victims.

Using information obtained from data brokers and other sources, call center operators allegedly called potential victims while impersonating officials from the Internal Revenue Service (IRS). According to the indictment, the call center operators then threatened potential victims with arrest, imprisonment, fines or deportation if they did not pay taxes or penalties to the government. If the victims agreed to pay, the call centers would then immediately turn to a network of U.S.-based co-conspirators to liquidate and launder the extorted funds as quickly as possible by purchasing prepaid debit cards or through wire transfers. The prepaid debit cards were often registered using misappropriated personal identifying information of thousands of identity theft victims, and the wire transfers were directed by the criminal associates using fake names and fraudulent identifications.

The co-conspirators allegedly used "hawalas," in which money is transferred internationally outside of the formal banking system, to direct the extorted funds to accounts belonging to U.S.-based individuals. According to the indictment, these individuals were expecting the hawala transfers but were

not aware of the illicit nature of the funds. The co-conspirators also allegedly kept a percentage of the proceeds for themselves.

Specific Cases.

One of the call centers extorted \$12,300 from an 85-year-old victim from San Diego, California, after threatening her with arrest if she did not pay fictitious tax violations. On the same day that she was extorted, one of the U.S.-based defendants allegedly used a reloadable debit card funded with the victim's money to purchase money orders in Frisco, Texas.

The indictment also alleges that the defendants extorted \$136,000 from a victim in Hayward, California, who they called multiple times over a period of 20 days, fraudulently purporting to be IRS agents and demanding payment for alleged tax violations. The victim was then directed to purchase 276 stored value cards which the defendants then transferred to reloadable debit cards. Some of the victim's money ended up on cards which were activated using stolen personal identifying information from U.S.-based victims.

The conspirators would at times allegedly use alternative fraudulent schemes in which the call center operators would offer the victims small short-term loans or advise them that they were eligible for grants. The indictment alleges that the conspirators would then request a good-faith deposit to show the victims' ability to pay back the loan, or payment of a fee to process the grant. The victims of the alleged scam never received any money after making the requested payment.

20 individuals were arrested in the United States and 32 individuals and five call centers in India were charged for their alleged involvement.

The IRS "certainly believe" that more nefarious call centers, perhaps a significant number, are still operating.

Note that the IRS will never:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. Generally, the IRS will first mail you a bill if you owe any taxes.
- Threaten to immediately bring in local police or other law-enforcement groups to have you arrested for not paying.
- Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
- Ask for credit or debit card numbers over the phone.

REMEMBER: The IRS doesn't initiate contact with taxpayers by email, text messages or social media channels to request personal or financial information. The IRS does not threaten taxpayers with lawsuits, imprisonment or other enforcement action.