

**Robert Sommers**

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**To:** taxscams@yahoogroups.com

**Subject:** RE: [taxscams] Delusional

**U.S. Department of Justice**

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**PRESS RELEASE**

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**FOR IMMEDIATE RELEASE**  
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**SEVERAL TAX FRAUD PROMOTERS SENTENCED TO PRISON FOR FALSELY PROMISING TO PROTECT INCOME FROM TAXES**

**Los Angeles, CA** - Five individuals associated with a tax fraud group known as "We the People" have been sentenced to federal prison for promoting bogus tax shelters that falsely promised to limit exposure to federal income taxes.

The leader of the operation, Lynne Meredith, 55, of Sunset Beach, was sentenced yesterday to 121 months in prison. A federal jury last year convicted Meredith of conspiracy, four counts of mail fraud, two counts of using a false social security number, making a false statement in a passport application and five counts of failing to file a tax return.

Meredith and her co-defendants were sentenced Monday afternoon in Los Angeles by United States District Judge Dean D. Pregerson. In sentencing Meredith, Judge Pregerson said her ideas on United States tax laws were "delusional." He went on to say that the defendants were motivated by greed, and that the stiff sentences in the case were warranted by the serious harm the defendants caused to their customers and to government institutions. Judge Pregerson also noted the importance of deterring other tax protest organizations that mislead taxpayers into violating tax laws.

The evidence presented during a 13-week trial showed that beginning in 1991 and continuing until April 2002, Meredith conducted seminars at which she sold books and bogus "pure trusts" to people with the purpose of leading them to believe they could legally shield income and assets from taxation. Meredith and her co-defendants encouraged and assisted taxpayers by forming phony "pure trusts," opening bank accounts with phony Taxpayer Identification Numbers, filing fraudulent income tax returns and encouraging taxpayers to stop filing income tax returns.

We the People sold the "pure trusts" for approximately \$500 to \$1,000 at seminars that were held throughout the United States and internationally. To entice potential "trust" purchasers at

seminars, Meredith said that each "trust" was customized for the particular customer, who would retain complete control over their businesses and assets placed in trust without incurring any tax liability.

Meredith also encouraged taxpayers to file frivolous tax returns that falsely reported that taxpayers did not have any taxable income and fraudulently requested a refund of all income taxes paid. The defendants also encouraged taxpayers to send protest correspondence to the IRS for the purpose of impeding and obstructing the IRS from collecting taxes owed by them.

Meredith wrote books, including *How To Cook A Vulture* and *Vultures In Eagle's Clothing*, in which she falsely claimed that individuals could lawfully stop paying income taxes, stop their employers from withholding income taxes, and refuse to produce books and records to the IRS. The books contained examples of frivolous tax returns and protest letters. After the indictment, Meredith was featured as a leader of the tax protest movement in segments 20/20 and the NBC *Nightly News*, as well as in articles in *People Magazine* and the *Los Angeles Times*.

The defendants falsely told their customers that paying taxes is "voluntary," and that they could file a W-4 or W-8 form with their employer claiming to be exempt from federal income tax withholdings. In fact, under federal law, anyone who earns income more than approximately \$8,000 must file a tax return and pay taxes. Those customers who purchased and used the "pure trusts" to hide income face serious financial penalties and interest for the income taxes they failed to pay.

From 1991 until 2002, Meredith caused thousands of taxpayers to file fraudulent income tax returns with the IRS. Those fraudulent tax returns sought refunds for as much as \$32,822.

The jury heard evidence that Meredith and her co-conspirators earned more than \$8.5 million as a result of the scheme. Meredith did not file federal income tax returns during these years, and she did not pay any federal income taxes. Furthermore, none of the other defendants in the case filed or paid any income taxes on income they earned from the scheme.

The other defendants in the case are:

- Gayle Bybee, 57, of Sunset Beach, who received a prison sentence of 60 months. Bybee was convicted of conspiracy and three counts of failing to file a tax return.
- Gregory Paul Karl, 55, of Solana Beach, who was sentenced to 20 months in prison. Karl, a former CPA, was convicted of conspiracy and four counts of mail fraud.
- Teresa Manharth Giordano, 42, of Murrieta, who was sentenced to 40 months in prison. Giordano was convicted of conspiracy, four counts of mail fraud and two counts of failing to file a tax return.
- Willie Watts, 46, of Murrieta, who was sentenced to 36 months in prison. Watts, a former CPA, was convicted of conspiracy, three counts of mail fraud and three counts of failing to file a tax return.

Two more defendants in the case – Nora Moore, 56, of Huntington Beach, and Betty Erickson, 60, of Windsor – are scheduled to be sentenced by Judge Pregerson on June 20. Both Moore and Erickson were convicted of three counts of failing to file a tax return.

The prosecution of this case reflects the increased focus the IRS has on the anti-tax movement. Although courts have continuously rejected frivolous arguments such as those presented by Meredith, the use of false, misleading and unorthodox tax advice has gained followers.

The case against Meredith and the other promoters of *We the People* was the result of an investigation by IRS-Criminal Investigation Division.