

FILED

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

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CLERK U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA, FLORIDA

UNITED STATES OF AMERICA,

v.

CAREL A. PRATER,
a/k/a CHAD PRATER

SEALED

CASE NO.

8:08-Cr- 425-T-23TG W
26 U.S.C. § 7212(a)
26 U.S.C. § 7206(2)
26 U.S.C. § 7203
18 U.S.C. § 401(3)
31 U.S.C. § 5324(a)(3)

INDICTMENT

The Grand Jury charges:

Introduction

At times material to this Indictment:

1. Defendant CAREL A. PRATER, a/k/a CHAD PRATER (PRATER), a resident of Sarasota, Florida, operated New Found Freedom d/b/a Tax Escape Service (TES), among other entities, through which PRATER falsely claimed to be able to lawfully remove his customers from the federal tax system. In fact, PRATER engaged in a fraudulent tax scheme that interfered with the administration of the internal revenue laws.

2. On December 19, 2002, the Honorable Steven D. Merryday, United States District Judge for the Middle District of Florida, issued a preliminary injunction against PRATER and an associate in a civil case styled United States of America v. Carel A. Prater, a/k/a Chad Prater, et al., Case No. 8:02-CV-2052-T-23MSS. The Court order barred PRATER, his associate, and any person working on their behalf from, among other things:

- a) **Advocating the false and frivolous position that income earned in the United States is generally not taxable;**
- b) **Preparing or assisting in the preparation of federal tax returns for any other person or entity;**
- c) **Corresponding with, or assisting in the preparation of any correspondence or other documents to be sent to, the Internal Revenue Service on behalf of any other person in exchange for payment;**
- d) **Selling any type of trust, limited liability corporation, or similar arrangement, which advocates noncompliance with the income tax laws, misrepresents the tax savings realized by using the arrangement, or conceals the ownership or receipt of income; and**
- e) **Engaging in other similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.**

3. **On September 25, 2003, Judge Merryday issued an order instructing**

PRATER and his associate to, among other things:

- a) **Terminate within ten (10) days any and all automatic debits from client accounts in payment for products or services prohibited by the preliminary injunction;**
- b) **Produce a strict accounting of any and all payments that have been received since December 19, 2002 (the preliminary injunction date);**
- c) **Disgorge and refund to their clients any and all payments received from clients on or after December 19, 2002, and before the effective date of the clients' written consent to continue making such payments toward the defendants' legal defense fund.**

4. **The Internal Revenue Service (IRS) was an agency of the United States Department of Treasury. The IRS had responsibility for the assessment, ascertainment, computation and collection of federal income taxes, including individual income taxes. The tax laws of the United States, including the Internal Revenue Code (Title 26 of the United States Code), required every citizen and resident of the United**

States who received gross income in excess of the minimum filing amount established by law for a particular year to annually make and file an income tax return for that year. Examples of the type of gross income that were required to be reported on an income tax return included compensation for services and gross income derived from business.

COUNT ONE

(26 U.S.C. § 7212(a) – Corrupt Interference with Internal Revenue Laws)

5. Beginning on or about at least July 2000, and continuing until on or about October 2005, the exact dates being unknown to the Grand Jury, within the Middle District of Florida and elsewhere,

CAREL A. PRATER,
a/k/a CHAD PRATER,

the defendant herein, aided and abetted by other persons known and unknown to the grand jury, did corruptly endeavor to obstruct and impede the due administration of the internal revenue laws of the United States concerning the ascertainment, computation, assessment, and collection of federal taxes, by, among other means:

(a) Falsely advising customers and potential customers that income earned in the United States is generally not taxable.

(b) Providing advice and documents that he falsely claimed would legally remove his customers from the federal tax system. Between 2000 and 2003, PRATER's gross receipts arising out of his scheme exceeded \$2 million.

(c) Advising his customers to stop filing federal income tax returns and paying federal income tax.

(d) Advising his customers to execute Power-of-Attorney and Declaration of Representative Forms (IRS Forms 2848), which granted PRATER authority to represent his customers before the IRS, and which falsely claimed that PRATER was the customers' full-time employee.

(e) Causing bogus documents, notices, affidavits and purported "judgments", addressed to the IRS and executed by or on behalf of his customers, to be recorded in the public records.

(f) Preparing and filing, or causing his customers to file, federal income tax returns (IRS Forms 1040), which falsely reported that his customers had no taxable income and owed no federal income tax.

(g) Preparing and filing, or causing his customers to file, amended federal income tax returns (IRS Forms 1040X), which falsely reported that his customers' previous tax returns were filed in error and requesting a refund of paid taxes.

(h) Preparing and submitting, or causing his customers to submit, Employee's Withholding Allowance Certificates (IRS Forms W-4) and/or affidavits in lieu of IRS Form W-4 to his customers' employers, falsely stating that his customers were exempt from federal withholding tax.

(i) Causing limited liability companies (LLCs) and unincorporated business trust organizations (UBTOs) to be set up on behalf of customers, and falsely advising his customers that by transferring assets and income between LLCs and UBTOs they could legally avoid federal income tax.

(j) Blocking and attempting to block IRS examination and collection efforts by preparing and submitting or causing to be submitted frivolous correspondence and fake legal documents to the IRS.

(k) Utilizing nominees to conceal his assets and income from the IRS, as well as advising his customers to do the same.

6. The acts committed in furtherance of PRATER's endeavor to corruptly interfere with the internal revenue laws include, but are not limited to, the following:

Customer R.W.

(a) On or about July 12, 2000, a false document, which was addressed to the IRS and titled "Notice of Default," was recorded on behalf of customer R.W. in the public records of Sarasota County, Florida.

(b) On or about April 21, 2003, R.W. signed a check for \$5,000 payable to PRATER's ex-wife from a nominee bank account held by R.W. on PRATER's behalf.

Customer W.B.

(c) On or about August 7, 2000, affidavits falsely claiming customer W.B. to be exempt from federal withholding tax were submitted to W.B.'s employer.

(d) On or about December 5, 2000, frivolous affidavits and correspondence on behalf of W.B. were submitted to the IRS.

(e) On or about December 11, 2000, a false document, which was addressed to the IRS and titled "Notice of Default," was recorded on behalf of W.B. in the public records of Sarasota County, Florida.

(f) On or about July 24, 2003, frivolous correspondence on behalf of W.B. was submitted to the IRS.

(g) On or about September 16, 2004, PRATER advised W.B. to conceal his assets from the IRS by utilizing nominees.

Customers S.L. and D.L.

(h) On or about February 5, 2001, a false document, addressed to the IRS and titled "Notice of Default," was recorded on behalf of customers S.L. and D.L. in the public records of Sarasota County, Florida.

(i) On or about April 13, 2002, S.L. purchased real property on PRATER's behalf, for no actual consideration, from an entity that PRATER controlled.

(j) On or about May 30, 2003, S.L. sold real property on PRATER's behalf and forwarded the proceeds to PRATER's ex-wife.

Customer L.C.

(k) On or about March 19, 2001, a false document, addressed to the IRS and titled "Notice of Default," was recorded on behalf of customer L.C. in the public records of Sarasota County, Florida.

(l) On or about April 4, 2001, a limited liability company, called I.C. Adobe Investments, LLC, was formed on behalf of L.C. in the state of Nevada.

(m) On or about October 1, 2001, a false document, addressed to the IRS and titled "Second Notice of Default – No Jurisdiction," was recorded on behalf of L.C. in the public records of Sarasota County, Florida.

Customers S.N. and B.N.

(n) On or about May 3, 2001, a Power of Attorney and Declaration of Representative form (IRS Form 2848) was executed on behalf of customers S.N. and B.N., in which PRATER falsely represented under penalties of perjury that he was a full-time employee of S.N. and B.N.

(o) On or about May 30, 2001, two limited liability companies, called Bridal Showcase, LLC and Sarasota Bridal & Formal Boutique, LLC, were formed on behalf of B.N. in the state of Nevada.

(p) On or about June 18, 2001, a false document, addressed to the IRS and titled "Notice of Default," was recorded on behalf of S.N. and B.N. in the public records of Sarasota County, Florida.

Customers R.R. and E.R.

(q) On or about June 6, 2001, a Power of Attorney and Declaration of Representative form (IRS Form 2848) was executed on behalf of customers R.R. and E.R., in which PRATER falsely represented under penalties of perjury that he was a full-time employee of R.R. and E.R.

(r) On or about June 26, 2001, a false document, addressed to the IRS and titled "Notice of Default," was recorded on behalf of R.R. and E.R. in the public records of Sarasota County, Florida.

(s) On or about July 9, 2001, a limited liability company, called All Builders Flooring, LLC, was formed on behalf of R.R. and E.R. in the state of Nevada.

(t) On or about July 30, 2001, a false document, addressed to the IRS and titled "Notice of Default," was recorded on behalf of R.R. and E.R. in the public records of Sarasota County, Florida.

(u) On or about November 26, 2001, a false document, addressed to the IRS and titled "Second Notice of Default – No Jurisdiction," was recorded on behalf of R.R. and E.R. in the public records of Sarasota County, Florida.

(v) On or about October 3, 2002, frivolous correspondence on behalf of R.R. and E.R. was submitted to the IRS.

(w) On or about October 7, 2002, a false tax return (IRS Form 1040) on behalf of R.R. was filed with the IRS, which stated "NOT LIABLE IRS LETTER 112c" across the face of it.

Customer T.S.

(x) On or about October 1, 2001, a false document, addressed to the IRS and titled "Second Notice of Default – No Jurisdiction," was recorded on behalf of customer T.S. in the public records of Sarasota County, Florida.

(y) On or about September 24, 2002, frivolous correspondence on behalf of T.S. was submitted to the IRS.

Customers C.T. and B.T.

(z) On or about June 3, 2002, a false document, addressed to the IRS and titled "Notice of Default – No Liability," was recorded on behalf of customers C.T. and B.T. in the public records of Sarasota County, Florida.

(aa) On or about June 19, 2002, a false document, addressed to the IRS and titled "Second Notice of Default – No Jurisdiction," was recorded on behalf of C.T. and B.T. in the public records of Sarasota County, Florida.

(bb) On or about October 31, 2003, a check in the amount of \$5,000 from C.T. and B.T., signed by B.T., was deposited into a bank account set up on PRATER's behalf.

Customers W.J.B. and S.B.

(cc) On or about December 9, 2002, a false document, titled "Affidavit of No Liability," was submitted on behalf of customers W.J.B. and S.B. to the IRS.

(dd) On or about January 17, 2003, frivolous affidavits on behalf of W.J.B. and S.B. were submitted to the IRS.

(ee) On or about February 24, 2003, a false document, addressed to the IRS and titled "Notice of Default – No Liability," was recorded on behalf of W.J.B. and S.B. in the public records of DeSoto County, Florida.

(ff) On or about March 10, 2003, a false document, addressed to the IRS and titled "Second Notice of Default – No Jurisdiction," was recorded on behalf of W.J.B. and S.B. in the public records of DeSoto County, Florida.

(gg) On or about July 31, 2003, a limited liability company, called Beyond The Ordinary, LLC, was formed on behalf of W.J.B. and S.B. in the state of Nevada.

Customer G.P.

(hh) On or about October 28, 2003, a check in the amount of \$4,000 from customer G.P. was deposited into a bank account set up on PRATER's behalf.

Undercover Contacts

(ii) Between on or about May 1, 2001 and October 23, 2001, PRATER and others met with undercover agents, who were posing as potential customers, and PRATER falsely represented that he could provide legal methods for avoiding the payment of federal income taxes.

(jj) On or about April 2, 2003, PRATER met with an undercover agent, who was posing as someone that could assist PRATER conceal or launder illicit proceeds, and PRATER asked him for assistance with concealing from the IRS approximately \$6,000 per month in proceeds from newsletter subscriptions paid by Tax Escape Service customers.

(kk) On or about October 14 and 15, 2003, four deposits totaling \$25,000, each in an amount less than \$10,000, were made into a bank account set up on PRATER's behalf by an undercover agent, who was posing as someone that could assist PRATER conceal or launder illicit proceeds.

(ll) On or about December 2, 2003, PRATER met with an undercover agent, who was posing as a potential customer, and falsely represented that he could provide legal methods for avoiding the payment of federal income taxes.

In violation of Title 26, United States Code, Section 7212(a); and of Title 18, United States Code, Section 2.

COUNT TWO

(26 U.S.C. § 7206(2) – Aiding or Assisting in the Filing of False Tax Returns)

7. On or about October 7, 2002, within the Middle District of Florida and elsewhere,

CAREL A. PRATER,
a/k/a CHAD PRATER,

the defendant herein, did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation under the internal revenue laws of a U.S. Individual Income Tax Return, IRS Form 1040, of an individual whose initials are R.R., for

calendar year 2001, which was false and fraudulent as to a material matter in that it omitted amounts on, among others:

- a) Line 7 - wages, salaries, tips, etc.
- b) Line 22 - total income
- c) Line 58 - total tax.

Whereas, as PRATER then and there well knew and believed, R.R. had earned income reportable under Lines 7 and 22, and owed tax reportable under Line 58.

In violation of Title 26, United States Code, Section 7206(2).

COUNT THREE
(26 U.S.C. § 7203 – Failure to File a Tax Return)
(Tax Year 2002)

8. During the calendar year 2002,

CAREL A. PRATER,
a/k/a CHAD PRATER,

the defendant herein, a resident of Sarasota, Florida, had and received gross income in excess of \$7,700; that by reason of such gross income he was required by law, following the close of the calendar year 2002, and on or before April 15, 2003, to make an income tax return at the Internal Revenue Service Center in Atlanta, Georgia, or with any other proper officer of the United States, stating specifically the items of his gross income and any deductions and credits to which he was entitled; that well-knowing and believing all of the foregoing, he did willfully fail to make an income tax return at the Internal Revenue Service Center in Atlanta, Georgia or with any other proper officer of the United States.

In violation of Title 26, United States Code, Section 7203.

COUNT FOUR
(26 U.S.C. § 7203 – Failure to File a Tax Return)
(Tax Year 2003)

9. During the calendar year 2003,

CAREL A. PRATER,
a/k/a CHAD PRATER,

the defendant herein, a resident of Sarasota, Florida, had and received gross income in excess of \$8,950; that by reason of such gross income he was required by law, following the close of the calendar year 2003, and on or before April 15, 2004, to make an income tax return at the Internal Revenue Service Center in Atlanta, Georgia, or with any other proper officer of the United States, stating specifically the items of his gross income and any deductions and credits to which he was entitled; that well-knowing and believing all of the foregoing, he did willfully fail to make an income tax return at the Internal Revenue Service Center in Atlanta, Georgia or with any other proper officer of the United States.

In violation of Title 26, United States Code, Section 7203.

COUNTS FIVE THROUGH EIGHT
(18 U.S.C. § 401(3) – Criminal Contempt)

10. On or about the dates indicated below, within the Middle District of Florida and elsewhere,

CAREL A. PRATER,
a/k/a CHAD PRATER,

the defendant herein, did willfully and knowingly disobey and resist lawful orders of a Court of the United States, that is, a preliminary injunction order issued on December 19, 2002, and a subsequent order issued on September 25, 2003, by the Honorable Steven D. Merryday, United States District Judge for the Middle District of Florida, in the

case of United States of America v. Carel A. Prater, a/k/a Chad Prater, et al., Case No. 8:02-CV-2052-T-23MSS, in the following ways:

COUNT	DATE	CONDUCT
Five	10/28/03	Concealing a payment received from Tax Escape Service customer G.P. in a nominee bank account set up on PRATER's behalf.
Six	10/31/03	Concealing a payment received from Tax Escape Service customers C.T. and B.T. in a nominee bank account set up on PRATER's behalf.
Seven	12/02/03	Falsely representing to an undercover agent who was posing as a potential customer that he could provide legal methods for avoiding the payment of federal income taxes.
Eight	9/16/04	Advising customer W.B. to conceal his assets from the IRS by utilizing nominees.

In violation of Title 18, United States Code, Section 401(3).

COUNT NINE
(31 U.S.C. § 5324(a)(3) –
Structuring Transactions to Avoid Reporting Requirements)

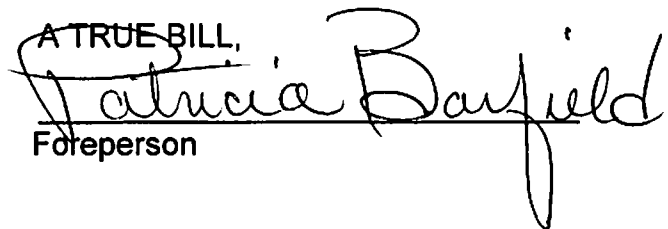
11. On or about the dates set forth below, in the Middle District of Florida and elsewhere,

CAREL A. PRATER,
a/k/a CHAD PRATER,

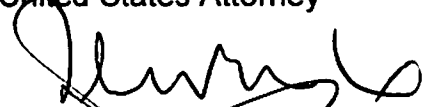
the defendant herein, knowingly and for the purpose of evading the reporting requirements of section 5313(a) of Title 31, United States Code, and the regulations promulgated thereunder, structured, assisted in structuring, and attempted to structure and assist in structuring, the following transactions with a domestic financial institution, and did so while violating another law of the United States, to wit, Title 26, United States Code, Section 7212(a):

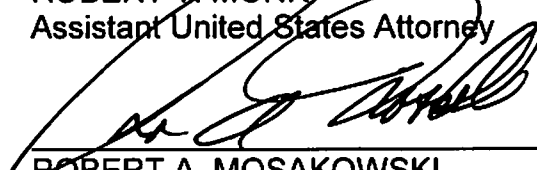
DEPOSIT NO.	DATE	DEPOSIT AMOUNT
1	10/14/2003	\$6,000.00
2	10/14/2003	\$6,000.00
3	10/14/2003	\$7,000.00
4	10/15/2003	\$6,000.00

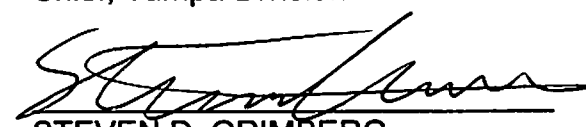
In violation of Title 31, United States Code, Section 5324(a)(3); and Title 31, Code of Federal Regulations, Section 103.22.

A TRUE BILL,

 Foreperson

ROBERT E. O'NEILL
 United States Attorney

By: 
 ROBERT T. MONK
 Assistant United States Attorney

By: 
 ROBERT A. MOSAKOWSKI
 Assistant United States Attorney
 Chief, Tampa Division

By: 
 STEVEN D. GRIMBERG
 Trial Attorney
 United States Department of Justice
 Tax Division

No.

UNITED STATES DISTRICT COURT

Middle District of Florida
Tampa Division

THE UNITED STATES OF AMERICA

vs.

CAREL A. PRATER, a/k/a CHAD PRATER

INDICTMENT

Violations:

26 U.S.C. §§ 7212(a), 7206(2), and 7203

18 U.S.C. § 401(3)

31 U.S.C. § 5324(a)(3)

A true bill,

Patricia Bayfield
Foreperson

Filed in open court this 1st day

of October, A.D. 2008.

Clerk

Bail \$ _____

CLEK U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA FLORIDA

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