



PRESS RELEASE

Owner of Liberty Tax Franchises Pleads Guilty to Conspiracy to Steal from the State

Eight Former Employees also Sentenced as Part of the Fraudulent Scheme

BALTIMORE, MD (March 16, 2017) – Maryland Attorney General Brian E. Frosh and Comptroller Peter Franchot today announced Vanessa Kone, owner of four Liberty Tax Service franchises and operator of six stores in Baltimore City, pleaded guilty to Conspiracy to Steal from the State. Baltimore City Circuit Court Judge Alfred Nance sentenced Kone to five years incarceration, all suspended, three years supervised probation, and ordered \$38,041 in full restitution and a \$10,000 penalty.

In addition to Kone, eight of her former employees also pleaded guilty to taking part in the fraudulent tax scheme. Under Kone's direction, the managers and preparers in the stores prepared and filed fraudulent federal and state income tax returns, claiming income tax refunds in the names of unwitting taxpayers. As part of the scheme, they claimed the taxpayers earned just enough money from miscellaneous sources to qualify for the maximum earned income tax credit. In fact, none of the taxpayers earned any income, often having been homeless, in drug rehabilitation programs, or disabled.

"Tax preparers have a responsibility to file honest returns," said Attorney General Frosh. "Ms. Kone and her employees not only took advantage of the most vulnerable in our community, she committed a crime against all of us. The collaboration between the Office of Attorney General and the Comptroller's Office to combat the crime of tax fraud will continue to result in the prosecution of those who erode the trust in our tax system."

"The Maryland Comptroller's Office is resolute in our commitment to protect the integrity of the State's tax system and to combat the rising scourge of tax fraud," said Comptroller Franchot. "I want to thank Attorney General Frosh and his team for their aggressive work in prosecuting this case and securing these guilty pleas. My office will use all of our resources to protect Marylanders and punish fraudulent tax preparers. Working together with partners like the Attorney General's Office, we will continue to bring justice to criminals who attempt to defraud the state and cheat law-abiding taxpayers."

The refunds claimed from the federal government and the State of Maryland were electronically processed through Liberty Tax, with the tax preparation fees taken out of the refunds before the net proceeds were distributed to the taxpayer. The fees, on average, equaled approximately 85%

of the amount being refunded, ranging from \$339 to \$507 per return with the net fees accrued to the benefit of Vanessa Kone.

Before the tax scheme was blocked, Kone and her co-defendants submitted over 1100 returns to the State of Maryland, claiming over \$140,000 in State income tax refunds and over \$550,000 in federal income tax refunds. Though the State did ultimately block the filings from Kone's stores, \$38,041 in refunds were paid out before the block went into effect.