

STATE OF WISCONSIN

CIRCUIT COURT

LAFAYETTE COUNTY

STATE OF WISCONSIN,

Plaintiff,

v.

Case No. 2011-CF- 16

KATHY RICHARD
27821 State Highway Road 11
Benton, WI 53803,
(D/O/B: 11/09/1966)

Defendant.

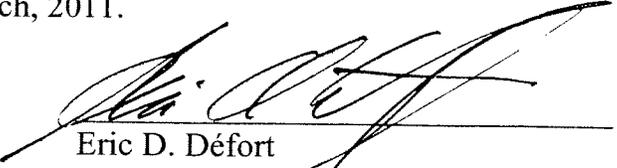
SUMMONS

THE STATE OF WISCONSIN TO SAID DEFENDANT:

The Criminal Complaint, a copy of which is attached, having been made before me accusing the defendant, Kathy Richard, of crimes of Fraudulent Claims for Tax Credit, contrary to Wis. Stat. § 71.83(2)(b)(4).

You, Kathy Richard, are, therefore, summoned to appear before the Honorable Judge William D. Johnston, Lafayette County Circuit Court, 626 Main Street, Darlington, Wisconsin, to answer said Complaint on Monday, March 21, 2011, at 9:00 A.M. In case of your failure to appear, a warrant for your arrest will be issued.

Dated this 10th day of March, 2011.


Eric D. Défort
State Bar No. 1041760
Assistant Attorney General
Special Prosecutor for Lafayette County
and Dane County

THE STATE OF WISCONSIN,

Plaintiff,

v.

Case No. 2011-CF- 16

KATHY I. RICHARD,
A.K.A.: KATHERINE RICHARD
(D/O/B: 11/09/1966),

Defendant.

CRIMINAL COMPLAINT

COUNT 1: FRAUDULENT CLAIM FOR TAX CREDIT

Between April 10, 2005, and May 16, 2005, in the county of Grant, State of Wisconsin, the above-named defendant did, with fraudulent intent, supply information upon which a false claim for credit was prepared (*to wit: by claiming to operate a daycare business that, in fact, has never existed*), under Wis. Stat. § 71.07(9e), for herself, contrary to Wis. Stat. § 71.83(2)(b)(4).

Pursuant to Wis. Stat. § 939.50(3)(h), upon conviction of this charge, a Class H Felony, the maximum penalty for this crime is a fine not to exceed \$10,000 or imprisonment not to exceed six (6) years, or both.

COUNT 2: FRAUDULENT CLAIM FOR TAX CREDIT

Between January 29, 2007, and January 30, 2007, in the county of Lafayette, State of Wisconsin, the above-named defendant did, with fraudulent intent, supply information upon which a false claim for credit was prepared (*to wit: by claiming to operate a daycare business that, in fact, has never existed*), under Wis. Stat. § 71.07(9e), for herself, contrary to Wis. Stat. § 71.83(2)(b)(4).

Pursuant to Wis. Stat. § 939.50(3)(h), upon conviction of this charge, a Class H Felony, the maximum penalty for this crime is a fine not to exceed \$10,000 or imprisonment not to exceed six (6) years, or both.

COUNT 3: FRAUDULENT CLAIM FOR TAX CREDIT

Between February 11, 2008, and February 12, 2008, in the county of Lafayette, the above-named defendant did, with fraudulent intent, supply information upon which a false claim for credit was prepared (*to wit: by claiming to operate a daycare business that, in fact, has never existed*), under Wis. Stat. § 71.07(9e), for herself, contrary to Wis. Stat. § 71.83(2)(b)(4).

Pursuant to Wis. Stat. § 939.50(3)(h), upon conviction of this charge, a Class H Felony, the maximum penalty for this crime is a fine not to exceed \$10,000 or imprisonment not to exceed six (6) years, or both.

COUNT 4: FRAUDULENT CLAIM FOR TAX CREDIT

Between January 15, 2009, and January 20, 2009, in the county of Lafayette, the above-named defendant did, with fraudulent intent, supply information upon which a false claim for credit was prepared (*to wit: by claiming to operate a daycare business that, in fact, has never existed*), under Wis. Stat. § 71.07(9e), for herself, contrary to Wis. Stat. § 71.83(2)(b)(4).

Pursuant to Wis. Stat. § 939.50(3)(h), upon conviction of this charge, a Class H Felony, the maximum penalty for this crime is a fine not to exceed \$10,000 or imprisonment not to exceed six (6) years, or both.

COUNT 5: FRAUDULENT CLAIM FOR TAX CREDIT

Between February 6, 2010, and February 9, 2010, in the county of Lafayette, the above-named defendant did, with fraudulent intent, supply information upon which a false claim for credit was prepared (*to wit: by claiming to operate a daycare business that, in fact, has never existed*), under Wis. Stat. § 71.07(9e), for herself, contrary to Wis. Stat. § 71.83(2)(b)(4).

Pursuant to Wis. Stat. § 939.50(3)(h), upon conviction of this charge, a Class H Felony, the maximum penalty for this crime is a fine not to exceed \$10,000 or imprisonment not to exceed six (6) years, or both.

FACTUAL BASIS

- 1.) The complainant is a Wisconsin Department of Revenue Special Agent who has been employed with DOR for twenty-seven years, the last twenty-three of which as a special agent charged with investigating persons suspected of committing tax crimes. The complainant has been involved in numerous investigations relating to violations of sales tax laws, income tax laws, corporate franchise tax laws, withholding tax laws and excise tax laws.
- 2.) The complainant bases this complaint upon his review of several Wisconsin and Federal income tax returns filed on behalf of "Kathy Richard," the statement of Social Security Administration Claims Representative Sheila A. Hampton, the report of United States Office of Inspector General Investigator Nathan Catura, the statement of Wisconsin Department of Justice Special Agent Robin Broeske, the statement of adult citizen witness Jeanne Olson, the statement of adult citizen witness Jeanie Gilbertson, and the statement against interest of Kathy Richard.

EARNED INCOME CREDIT

- 3.) The complainant knows from his training and experience that, under Wisconsin Statutes Chapter 71, a taxpayer may claim what is called an "Earned Income Credit." The Earned Income Credit claim is filed as part of a tax return. To obtain the Earned Income Credit, an

individual must have earned income, must have low income, and must have a minimum of one dependant. If the taxpayer receives the Earned Income Credit, the credit reduces the taxpayer's tax liability for that tax year. The earned income is a refundable credit. If the credit exceeds the tax liability for a given year, a refund is issued. The complainant states that he knows that it is a felony to submit a fraudulent claim for the Earned Income Credit.

EARNED INCOME CREDIT CLAIMS FILED

4.) The complainant knows that the Earned Income Credit claim is filed as part of a tax return. The complainant has reviewed tax returns that were filed for "Kathy Richard" for the following tax years: 2004, 2006, 2007, 2008, and 2009. Each lists Richard's name, social security number and address of 414 S. Judgment St., Shullsburg, Wisconsin. In each return Richard lists her occupation as either "daycare provider" or "child care." Included in each return is a "Schedule C," which lists revenues and expenses associated with Richard's supposed daycare operation.

After reviewing each of the tax returns in question and their Schedule Cs, both described above, the complainant generated a chart (below) to describe the income and expenses associated with the "daycare" operation claimed by Richard in her claims for Earned Income Credit.

	<u>2004</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>INCOME</u>					
Gross receipts	\$28,000	\$28,000	\$33,200	\$34,300	\$34,200
<u>EXPENSES</u>					
Car & truck	\$1,415			\$1,090	\$ 1,100
Advertising		\$ 155	\$ 175	\$ 200	\$ 175
Legal				\$ 175	\$ 175
Supplies	\$1,475		\$ 3,310	\$2,320	\$ 1,995
Food	\$4,110	\$4,750	\$10,638	\$8,243	\$25,105
Diapers	\$ 850	\$ 900			
Field trip	\$ 120			\$ 310	\$ 230
Telephone	\$ 192				
Misc		\$1,640			
Gifts				\$ 825	\$ 905
Use of home	\$1,784	\$3,257	\$ 2,228	\$1,845	
<u>NET PROFIT</u>	\$18,054	\$17,298	\$16,674	\$19,292	\$ 4,690

5.) The complainant has reviewed DOR records that reflect the following as to each of the tax returns and Schedule Cs that were described above:

- a. The 2004 tax return and Schedule C was filed with DOR on May 16, 2005;
- b. The 2006 tax return and Schedule C was filed with DOR on January 30, 2007;
- c. The 2007 tax return and Schedule C was filed with DOR on February 12, 2008;
- d. The 2008 tax return and Schedule C was filed with DOR on January 20, 2009;
- e. The 2009 tax return and Schedule C was filed with DOR on February 9, 2010.

6.) The 2004 tax return indicates that it was prepared by Jeanne Olson, Platteville Tax Service, 14 S. 3rd Street, Platteville, Wisconsin 53818, phone number 608-348-8846. Therefore, the complainant contacted Olson. Olson reported that she did prepare Richard's 2004 income tax return. Olson stated that she believes that Richard came to Olson the week of April 10, 2005, and provided Olson with notes regarding a daycare business and an application for an extension of time to file taxes. The 2004 tax return was prepared by Jeanne M. Olson - Platteville Tax Service on May 2, 2005, and countersigned by "Kathy I. Richard" on May 11, 2005. Richard's signature appears in a section titled "Taxpayer Declaration and Signature Authorization." That section reads, in pertinent part, as follows: "Under penalty of perjury, I declare that I have examined a copy of my electronic individual income tax return and accompanying schedules and statements for the tax year ending December 31, 2004, and to the best of my knowledge and belief, it is true, correct, and complete."

7.) The 2006, 2007, 2008, and 2009 tax returns indicate that they were all prepared by H&R Block, Darlington, Wisconsin 53530, phone number 608-776-4773. Therefore, the complainant contacted H&R Block. Jeanie Gilbertson, an H&R Block employee, confirmed that H&R Block did prepare income tax returns for Kathy Richard. Gilbertson recalled that Richard claimed to have a daycare operation and that Richard submitted handwritten details specifying the amount of income and expenses for the operation. Further, Gilbertson provided H&R Block records to the complainant that show the following:

- a. The 2006 tax return was prepared by H&R Block and countersigned by "Kathy Richard" on January 29, 2007; Richard's signature appears in a section titled "Taxpayer Declaration and Signature Authorization." That section reads, in pertinent part, as follows: "Under penalty of perjury, I declare that I have examined a copy of my electronic individual income tax return and accompanying schedules and statements for the tax year ending December 31, 2006, and to the best of my knowledge and belief, it is true, correct, and complete."
- b. The 2007 tax return was prepared by H&R Block and countersigned by "Kathy Richard" on February 11, 2008; Richard's signature appears in a section titled "Taxpayer Declaration and Signature Authorization." That section reads, in pertinent part, as follows: "Under penalty of perjury, I declare that I have examined a copy of my electronic individual income tax return and accompanying schedules and statements for the tax year ending December 31, 2007, and to the best of my knowledge and belief, it is true, correct, and complete."
- c. The 2008 tax return was prepared by H&R Block and countersigned by "Kathy Richard" on January 15, 2009; Richard's signature appears in a section titled "Taxpayer Declaration and Signature Authorization." That section reads, in pertinent part, as follows: "Under penalty of perjury, I declare that I have examined a copy of my electronic individual income tax return and accompanying schedules and statements for the tax year ending December 31, 2008, and to the best of my knowledge and belief, it is true, correct, and complete."
- d. The 2009 tax return was prepared by H&R Block and countersigned by "Kathy Richard" on February 6, 2010. Richard's signature appears in a section titled "Taxpayer Declaration and Signature Authorization." That section reads, in pertinent part, as follows: "Under penalty of perjury, I declare that I have examined a copy of my electronic individual income tax return and accompanying schedules and statements for the tax year ending December 31, 2009, and to the best of my knowledge and belief, it is true, correct, and complete."

ADMISSIONS BY THE DEFENDANT

8.) The complainant has reviewed a report from the United States Office of the Inspector General – Investigations Division by Investigator Nathan Catura. Investigator Catura reports that Sheila A. Hampton is a Claims Representative of the United States Social Security Administration (SSA) Field Office in Lancaster County, Wisconsin. On April 22, 2010, Hampton reported to Investigator Catura that Kathy Richard has denied working since 1998, but that Hampton noticed self-employment income earnings have been posted to Richard's record

from 2003 to 2009. Richard's SSA records reflect that on March 17, 2010, she completed a form called the "Redetermination Summary for Determining Continuing Eligibility for Supplemental Security Income Payments" and stated on the form that she does not have any type of income. Further, on October 20, 2005, Richard signed a statement declaring that she was not self-employed during the years of 2003, 2004, or 2005.

9.) Investigator Catura goes on to report that on September 2, 2010, Richard admitted that she began filing false tax returns because she was facing financial trouble. She admitted that she has never owned or operated a daycare center, but listed it on her tax returns because this was an easy way to make money. Richard went on to explain that she went to H&R Block and had them prepare the returns and file them on her behalf. Richard explained that she provided H&R Block with a sheet of paper with figures listed on it. She stated that she would figure out how much to list as income by dividing the number of fictitious children (usually 4) with the cost of supplies.

10.) Further, the complainant has reviewed a written statement of "Katherine I. Richard," which was completed and signed in Investigator Catura's presence on September 2, 2010. Richard writes that she has never done daycare in any of her homes and that she had her boyfriend help her find information on how to file taxes for daycare for the years of 2003, 2004, 2006-2009. She admits that she did file tax returns because she needed the money. She goes on to promise to repay the money to the State and Federal authorities. She apologizes and concludes that statement by admitting that all of the tax income was "direct deposit" into her bank account.

TOTAL MONEY OBTAINED BY FRAUD

11.) The complainant reviewed both State and Federal Earned Income Credit Claims for 2004 and 2006-2009. The complainant was able to determine that the defendant fraudulently obtained the following amounts of money:

<u>STATE</u>	<u>2004</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	\$1,482	\$1,836	\$2,020	\$1,794	\$847
				TOTAL: \$7,979	
<u>FEDERAL</u>	\$2,077	\$2,602	\$2,904	\$3,052	\$1,530
				TOTAL: \$12,165	

****END OF COMPLAINT****

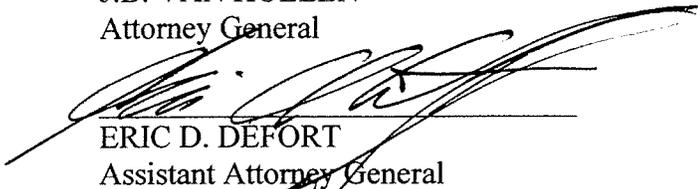
Dated this 9TH day of MARCH, 2011.

Complaining Witness:


 Vern Barnes - Special Agent
 Wisconsin Department of Revenue

*Subscribed and sworn to before me and approved for filing
 this 9TH day of MARCH 2011.*

J.B. VAN HOLLEN
 Attorney General


 ERIC D. DEFORT
 Assistant Attorney General
 State Bar No. 1041760
 Wisconsin Department of Justice
 17 W. Main Street
 Madison, Wisconsin 53707-7857