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Federal Authorities Sue Palmdale, Calif., Man in Tax-Evasion Scheme

By Karen Maeshiro, Daily News, Los Angeles Knight Ridder/Tribune Business News

Mar. 31--PALMDALE, Calif. - Federal authorities have sued a Palmdale man who they say promotes a tax scheme in which he helps people claim church status as a way to evade paying taxes.

Joseph O. Saladino, through a nonprofit corporation called Freedom & Privacy Committee headquartered at his home, assists customers to establish and claim church status for a type of company called a "corporation sole," the lawsuit said.

"A corporation sole is supposed to be a method of clergy to essentially live in a church property or parsonage, but under the tax scheme method, people form their own church and form a corporation sole and start living tax-free. It's a bogus outfit is what it is," U.S. Department of Justice attorney Martin Shoemaker said. "That's the promotion that he was selling to other people."

Federal officials say Saladino and his organization falsely state that customers who use corporations sole do not need to file tax returns or pay taxes.

Saladino could not be located Tuesday for comment.

The Justice Department has asked the courts to order Saladino and seven other defendants across the United States to stop promoting the schemes and to provide the government with their customer lists.

More than 700 customers, located in nearly every state and several foreign countries, are reported to be in the program. In its court papers, the Justice Department alleges that customers are charged from \$200 to \$2,295 to participate in the schemes, which it said are marketed on the Internet, in conference calls and at seminars.

Used as intended, corporation sole statutes enable religious leaders -- typically bishops or parsons -- to be incorporated for the purpose of insuring the continuation of ownership of property dedicated to the benefit of a legitimate religious organization, IRS officials said.

"Defendants falsely advise participants that they can treat their corporations sole as a 'church' with no tax return filing requirement, and yet can control and use the assets and income of the corporation sole for their own personal benefit," the lawsuit said.

The corporations sole that defendants market are not operated for any church purpose, are devoid of economic substance and are shams for federal tax purposes, the lawsuit said.

The lawsuit against Saladino was one of several filed Monday by the U.S. Department of Justice in California and four other states to try to stop the tax scheme, officials said.

Authorities described Saladino as a lead promoter and co-defendant Jason Whitney of Tarzana as a salesman. Also named as defendants in the suits were six residents of Colorado, Oklahoma, Missouri and North Carolina, officials said.

The lawsuits further allege that in another part of the scheme, the defendants help their customers file false returns seeking refunds from the government for past taxes paid, based on the bogus argument that compensation for personal labor is nontaxable.

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