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Nantucket Man Arrested and Charged with Operating International Online "Phishing" Scheme to Steal Income Tax Refunds

Mikalai Mardakhayeu, a Belarusian national residing in Nantucket, Mass., was arrested Wednesday night and charged for his alleged participation in an international online "phishing" scheme to steal income tax refunds intended for U.S. taxpayers around the country, announced Assistant Attorney General Lanny A. Breuer of the Criminal Division and U.S. Attorney Carmen M. Ortiz for the District of Massachusetts.

An indictment unsealed today in U.S. District Court in Boston charges Mardakhayeu with one count of conspiracy and nine counts of wire fraud.

According to the indictment, from 2006 through 2007, Mardakhayeu and his co-conspirators lured victims by operating websites that offered lower-income taxpayers free online tax return preparation and electronic tax return filing (e-filing) services. As alleged in the indictment, the websites falsely claimed to be authorized by the Internal Revenue Service (IRS) to offer such services. After taxpayers input and uploaded their tax information seeking refunds for federal and state taxes, co-conspirators in Belarus allegedly collected the data and altered the returns so that legitimate tax refund payments would be redirected to U.S. bank accounts controlled by Mardakhayeu. According to the indictment, in some cases the claimed refund amount was higher than the amount originally claimed by the taxpayer. The co-conspirators allegedly caused the fraudulently altered returns to be e-filed with the IRS and state treasury departments. The conspiracy ultimately caused the U.S. Treasury and various state treasury departments to deposit approximately $200,000 in stolen refunds into bank accounts in and around Nantucket that were controlled by Mardakhayeu.

If convicted, Mardakhayeu faces a maximum sentence of 20 years in prison, to be followed by three years of supervised release, a $250,000 fine and restitution.

An indictment is merely an accusation, and the defendant is presumed innocent until and unless proven guilty at trial beyond a reasonable doubt.

The case was investigated by the IRS Criminal Division and the Treasury Inspector General for Tax Administration and is being prosecuted by Assistant U.S. Attorney Adam Bookbinder in the District of Massachusetts' Computer Crimes Unit and by Trial Attorney Mona Sedky of the Criminal Division's Computer Crime and Intellectual Property Section.

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