ATTORNEY GENERAL JOHN KROGER ANNOUNCES MAJOR RACKETEERING CONVICTION

January 13, 2009

Oregon Attorney General John Kroger announced today the conviction of a crooked businessman who bilked the state out of approximately $8 million in unpaid taxes

Maurilio Castillo Vega pleaded guilty to one count of racketeering and received a 61-month prison sentence. He was involved in a fraud scheme to avoid paying income taxes and worker's compensation insurance dating back to at least 2001.

"As Attorney General, my highest priority is fighting crime. When companies break the law, we are going to come after them. I will fight for a level playing field for honest companies to compete," Kroger said.

The Vega scam involved paying workers in cash under the table. It allowed Vega to bid lower for projects than legitimate companies that paid taxes. The state Department of Revenue has yet to complete its final assessment, but the sham companies Vega set up avoided taxes on about $25 million in income. The net loss to Oregon is expected to be around $8 million.

In addition to the lost taxes, the State Accident Insurance Fund estimates it lost millions in unpaid worker's compensation funds. This type of scam is happening all across the country.

Department of Revenue officials describe the case as "the most willful and egregious" employer tax evasion case they've ever referred to the Department of Justice for prosecution.

Vega and two drywall companies were indicted in Marion County last year on 16 counts of racketeering, tax evasion, theft and other charges.

The investigation is ongoing.

Senior Assistant Attorney General Andrew D. Campbell and Special Agent Steve Armbruster in the Criminal Justice Division investigated and prosecuted the case. Others agencies involved include the Marion County District Attorney's office, the Oregon State Police, Immigrations and Customs Enforcement (ICE) and the Beaverton Police Department.

Critical to bringing the case was a greater level of inter-agency cooperation through the Independent Contractor's Steering Committee, which includes the Oregon Department of Revenue, the Bureau of Labor and Industries, the Oregon Employment Department, the Department of Consumer and Business Affairs Workers Compensation Division and the Construction Contractor's Board.

An electronic copy of the indictment is available upon request.

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