

FILED
09-10-2021
CIRCUIT COURT
DANE COUNTY, WI
2021CF002062

STATE OF WISCONSIN CIRCUIT COURT DANE COUNTY

STATE OF WISCONSIN ,

Plaintiff,

v.

Case No. 21-CF-

ASHLEY M. LAGRONE
A/K/A ASHLEY M. HOLT
6014 BRENWOOD TRAILS LN.
KATY, TX 77449
DOB: 03/03/1993,

Defendant.

CRIMINAL COMPLAINT

The Wisconsin Department of Justice, pursuant to its authority under Wis. Stat. § 978.05(8)(b), files this complaint against Ashley M. LaGrone (DOB: 03/03/1993) (also known as Ashley M. Holt) for two tax offenses. First, the State alleges that LaGrone filed a fraudulent income tax return by underreporting the gross receipts from Wisconsin Medicaid to her personal care agency on her 2016 Wisconsin income tax return. Second, the State alleges that LaGrone fraudulently used her underreported income to obtain the Wisconsin earned income tax credit, which she would not have received if she had accurately reported her income.

The State notes that Dane County is an appropriate venue for this case. Wis. Stat. § 71.80(6m).

Count 1: FRAUD/RENDERING INCOME TAX RETURN

On or about February 19, 2017, in the State of Wisconsin, the defendant, Ashley M. LaGrone, did render a false or fraudulent income tax return with intent to defeat or evade any assessment required by Wis. Stat. ch. 71, contrary to Wis. Stat. §§ 71.83(2)(b)1 and 939.50(3)(h).

Upon conviction for this offense, a Class H Felony, the defendant may be fined not more than \$10,000, or imprisoned not more than six years, or both. The defendant may also be assessed the cost of prosecution.

Count 2: FRAUDULENT CLAIM FOR TAX CREDIT

On or about February 19, 2017, in the State of Wisconsin, the defendant, Ashley M. LaGrone, did, with fraudulent intent, file a claim for credit under Wis. Stat. § 71.07, 71.28, or 71.47, or subchapter VIII or IX, that was false or excessive, contrary to Wis. Stat. §§ 71.83(2)(b)4 and 939.50(3)(h).

To wit: the defendant fraudulently filed a false or excessive claim for the Wisconsin earned income tax credit under Wis. Stat. § 71.07(9e).

Upon conviction for this offense, a Class H felony, the defendant may be fined not more than \$10,000, or imprisoned not more than six years, or both. The defendant may also be assessed the cost of prosecution.

Facts Constituting the Offense Charged

Special Agent Alan Kurth, of the Wisconsin Department of Revenue (DOR), Office of Criminal Investigation, being first duly sworn, states on information and belief that:

I, the Complainant, am a Special Agent with the Wisconsin DOR, Office of Criminal Investigation.

I base this complaint upon my training and experience, my review of tax records, and my review of business records. I have found tax records and business records to be reliable in the past.

This complaint contains a summary of facts necessary to establish probable cause; it does not contain all facts related to this investigation.

Based upon information and belief, I state:

Background

From about June 2015 to August 2017, Ashley LaGrone owned, operated, and was the registered agent for Majestic Home Health Care, LLC (Majestic) in Milwaukee. Majestic was a personal care agency, which received payment solely from Wisconsin Medicaid.

Majestic is a single-member (or single-owner) limited liability company (LLC) with LaGrone as its sole member. In Wisconsin, single-member LLCs are disregarded entities, which means the business is disregarded for income tax purposes unless the business elects to be taxed as a separate entity.¹ Absent such an election, the owner of the LLC must report the business's income on her personal state income tax return.

¹ Wisconsin Department of Revenue, *Disregarded Entities (Income Tax)*, <https://www.revenue.wi.gov/Pages/FAQS/ise-disenti.aspx> (last updated Jan. 13, 2021).

Wis. Stat. §§ 71.02(1), 71.195, and 71.20(1). Wisconsin DOR records do not contain any form showing that Majestic elected to be taxed as a separate entity. Therefore, LaGrone had a legal obligation to report Majestic's income on her personal Wisconsin income tax return.

Wisconsin DOR records indicate that LaGrone electronically filed Wisconsin income tax returns for tax years 2010 through 2016. The paid preparer section of LaGrone's 2016 federal income tax return is blank, which indicates that she prepared her own returns. Furthermore, LaGrone's 2016 Wisconsin income tax return was signed using a five-digit, self-selected personal identification number, and in the signature area, the signer's name is listed as "Ashley LaGrone."

LaGrone e-filed her 2016 Wisconsin income tax return on February 19, 2017.

As to Count 1:

As noted above, Majestic received all its income from Wisconsin Medicaid, which is administered by the Department of Health Services (DHS). For the 2016 tax year, Majestic's 1099-MISC shows that it received \$403,459.94 in payments from DHS through its fiscal agent, HP Enterprise Services. The money was sent to Majestic either by checks, which bear LaGrone's endorsement, or by direct deposit into one of LaGrone's bank accounts at Guaranty Bank or JPMorgan Chase.

On her federal tax return, LaGrone reported Majestic's gross income as only \$61,015. After various deductions, she arrived at a federal adjusted gross income of \$15,227. LaGrone then, on her Wisconsin income tax return, reported that her 2016 income was \$15,227.

For the purposes of this investigation, I calculated the Corrected Taxable Income for LaGrone for 2016, which includes all of Majestic's Medicaid income. I also included all expense deductions claimed on Majestic's 2016 Schedule C and additional expenses that were not deducted, like payroll fees and nonemployee compensation. In conclusion, I found that LaGrone had a Wisconsin taxable income of \$113,286 in 2016. The Wisconsin tax due on that income is \$6,757.

As to Count 2:

The Wisconsin earned income credit is a tax benefit for certain working families with at least one qualifying child. Wis. Stat. § 71.07(9e)(aj). To be able to receive the Wisconsin earned income credit, the tax filer must also qualify for a federal earned income credit, which has an income ceiling based on the amount of qualifying children. The Wisconsin earned income credit is then calculated by multiplying the federal earned income credit by a certain percentage based on the number of qualifying children.

LaGrone filed as head of household and claimed three dependents on her 2016 Wisconsin income tax return. The 2016 ceiling for the federal earned income credit, which LaGrone claimed and received, for someone filing as head of household with three qualifying children, was \$47,955.² Therefore, if LaGrone had accurately reported Majestic's Medicaid income on her tax returns, she would have never been entitled to receive a federal or a Wisconsin earned income credit, as I calculated her

² Internal Revenue Service, *Earned Income and Earned Income Tax Credit (EITC) Tables*, <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables> (last updated May 11, 2021).

2016 taxable income to be \$113,286. Due to her fraudulent claim for the Wisconsin earned income credit, LaGrone received \$2,131.

Dated this 9th day of September 2021.

/s/ Alan Kurth
Alan Kurth, CPA
Special Agent
Office of Criminal Investigation
Wisconsin Department of Revenue

Subscribed and sworn to
before me and approved for filing
this 9th day of September 2021.

/s/ Timothy J. Filipa
TIMOTHY J. FILIPA
Assistant Attorney General
State Bar No. 1097622

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