

Utah solar-production company actually a tax 'sham,' feds say

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| Courtesy iaus.com "Solar trees" at International Automated Systems' demonstration site near Delta

Energy » Utah County company's goal is to reap tax incentives, not to produce electricity, attorneys say.



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International Automated Systems claims it's revolutionized energy production — and can make investors money. The Utah County firm deploys patented "solar lense" technology to focus the sun's rays into intense thermal energy that drives bladeless turbines that are far more efficient than traditional electrical generators, according to company founder Neldon Johnson.

His system, which uses 24-foot diameter refractive lenses crafted from rolled plastic, can be mass-produced cheaply, requires minimal maintenance and will last a century, he claims. These lenses and related advances can replace coal and other fossil fuels blamed for climate change.

"It produces heat well-above what you would get on a solar collector, more than 1,000 degrees," Johnson said. "The lenses concentrate the sunlight on my [photovoltaic] systems that produce electricity. We collected that and put it on the grid. We demonstrated that and put it into production."

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Too bad it's a lot of hot air, according to a suit filed Monday by federal attorneys who say Johnson's inventions are part of an "abusive tax scheme." It already has cost the federal treasury \$4 million and it needs to be shut down, authorities allege in papers filed in U.S. District Court in Salt Lake City. They seek an injunction against Johnson and his associates who use a multilevel marketing program to sell the technology through a Millard County firm called RaPower3.

A key aim of the scheme is not to produce energy, but reap federal tax incentives intended to spur the spread of solar power, according to the feds' legal action.

But Johnson says the allegations are untrue and that authorities are unfairly targeting him and his Millard County project, where he has erected a grove of "solar trees."

"I don't know what to say. None of its true. They came down a while back. I don't know what the problem is. We are just now moving the assembling line into production. We have huge amounts of inventory, enough to take care of 10 times what we sold," he said Tuesday. "Everyone wants this energy. They want to get off oil. I can get you off oil."

The inventor said experts with doctorates have vetted his technologies, which he is now threatening to take overseas.

"I have met with the secretary of state of China. I don't know why I don't go there. They have offered me a pretty good deal," said Johnson, whose inventions were the subject of fraud allegations leveled by the federal Securities and Exchange Commission a decade ago.

Meanwhile, Johnson is suing Millard County officials over critical remarks they allegedly made in the news media concerning his solar farm and alleged missteps in processing his permit applications.

But federal authorities are offering the harshest assessment yet of Johnson's solar project, pronouncing it a complete "sham."

The company's lenses, which sell for up to \$3,500, are merely thin sheets of plastic. Dozens are mounted on towers at the Millard County demonstration site near Delta. After exposure to desert conditions for a few years, many are now broken and dangling from their frames, the ground underneath littered with plastic shards, the suit alleges.

"Even if the lenses could somehow focus the sunlight to generate energy, the towers and other infrastructure on the installation are in a state of such disrepair that such energy could not be collected and used for any purpose that Congress intended to encourage," the suit states.

Under their sales scheme, IAUS and RaPower3 sell the lenses to customers all over the country who then enter into "operation and maintenance agreements" with a third firm called LTB1. At no cost to the purchaser, the firms are supposed to install the lenses at the Millard County site and other sites and generate power from them.

The customers get federal tax incentives for participating in a renewable-energy project and the companies pocket their investments, federal attorneys say. They have sold hundreds of the lenses, but most have never been mounted and remain in storage.

The customers put up a small fraction of the cost of the lenses to enter these agreements. Some buy hundreds in a single tax year and then "lease" the discs back to the companies. The companies have no way of knowing which are theirs or whether the ones they supposedly own have ever been installed.

"Because most of the purchase price of the lens is funded with erroneous tax benefits and RaPower-3's so-called 'financing,' defendants' customers do not actually have to pay 'out of pocket' to participate in the solar energy scheme. Instead, the tax benefits that a customer claims from participating will more than pay for the customer's 'down payment' for all lenses," the suit says.

Johnson defended the legitimacy of his customers using their investments in his solar technology to claim federal tax credits and deductions. He says the tax plan has been vetted by the Salt Lake City law firm Kirton McConkie, which provided a memo explaining how it is legal.

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