JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE Friday, March 23, 2018

Former CEO and VP of Finance for a Virginia-Based Software Company Plead Guilty to Employment Tax Fraud

Did Not Pay More than $2 Million in IRS Payroll Taxes and Retirement Withholdings

Two former executives at a Virginia-based software company pleaded guilty today to conspiring to defraud the government by failing to pay over employment taxes to the Internal Revenue Service (IRS), announced Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division and Acting U.S. Attorney Tracy Doherty-McCormick for the Eastern District of Virginia.

According to documents and information provided to the court, Robert Lewis was the Chief Executive Officer and Kristie Lynn McDonald was the Vice President of Finance and Administration of a software company in Sterling, Virginia. From January 2011 to February 2013, Lewis and McDonald conspired to defraud the United States by failing to pay over to the IRS more than $1.8 million in payroll taxes withheld from employee paychecks.

As part of their scheme, Lewis and McDonald admitted that they circumvented the company's normal payroll and accounting procedures by paying some employees with manual checks. The employees still received their correct salary, but by bypassing the accounting system, Lewis and McDonald were able to hide the fact that the withholdings were not being paid over to the IRS. Lewis and McDonald admitted that the practical effect of their scheme was to conceal the company's failing financial condition from its Board of Directors. Lewis and McDonald also admitted that they caused the company to file false quarterly employment tax returns with the IRS underreporting the amount of tax due.

Lewis and McDonald further admitted that, during this same period, they intentionally failed to remit the full amount of employee retirement contributions to the company's retirement plan. Through their actions, the company failed to transfer and credit nearly $225,000 in voluntary employee retirement withholdings.

Lewis and McDonald admitted that they used the misappropriated money to pay the operating expenses of the company, which included their own six figure salaries and salary raises for other employees.

U.S. District Judge T.S. Ellis III scheduled sentencing for Lewis on June 29 and for McDonald on June 22. Lewis and McDonald each face a statutory maximum sentence of five years in prison, as well as a period of supervised release and monetary penalties. They further agreed to restitution in the amount of $1,812,706.

Principal Deputy Assistant Attorney General Zuckerman and Acting U.S. Attorney Doherty-McCormick thanked agents of IRS Criminal Investigation and the Department of Labor, who conducted the investigation, and Tax Division Trial Attorneys Kevin Schneider and Charles M. Edgar, Jr., and Assistant U.S. Attorney Ryan Faulconer, who are prosecuting the case.

Additional information about the Tax Division and its enforcement efforts may be found on the division's website.

Topic(s):
Tax

Press Release Number:
18-361

Component(s):
Tax Division
USAO - Virginia, Eastern

Updated March 24, 2018

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE Thursday, March 1, 2018

Tennessee Staffing Company Owners Sentenced to Prison for Payroll Tax Fraud

Used Funds Withheld from the IRS to Pay for Luxury Cars and Private School

Two former Memphis staffing company owners were sentenced to prison today for payroll tax fraud, announced Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division and U.S. Attorney D. Michael Dunavant for the Western District of Tennessee.

Mark Stinson, who was convicted in December 2017 at trial of conspiring to defraud the United States, failing to pay over payroll taxes, filing false tax documents, theft of government funds, and aggravated identity theft, was sentenced to 75 months in prison. His wife, Jayton Stinson, previously pleaded guilty to conspiring to defraud the United States, and was sentenced to one year in prison.

According to court documents and trial testimony, from 2005 through 2015, Mark and Jayton Stinson operated a temporary staffing company in Memphis that provided services to businesses in Tennessee and elsewhere. The staffing company's standard contract with its customers provided that the staffing company was responsible for withholding employment tax from its employees' wages and paying over the amounts withheld to the Internal Revenue Service (IRS).

The Stinsons failed to pay over $2.8 million in withholdings and other employment taxes due to IRS, failed to timely file employment tax returns and filed false employment tax returns. In an effort to avoid making payments to the IRS, the Stinsons changed the name and structure of the company multiple times after accumulating employment tax liabilities, operating as Jayton Stinson Connex Staffing & Janitorial Service, Connexx Staffing Services LLC, Connexx Staffing Services Inc., and Complete Employment Agency.

The Stinsons also conspired to impede efforts by the IRS to collect on the employment tax liabilities owed by their companies. For example, the Stinsons made false representations to the IRS about their control of the staffing company and their knowledge of the requirement to truthfully account for and pay over the employment taxes, falsely identified multiple family members as company executives, placed the staffing company in the names of nominees who did not have control over the business operations, and established payment arrangements intended to impede an IRS levy placed on their customer payments. The Stinsons used the withheld funds to pay for personal expenses, including a Mercedes-Benz, a Cadillac Escalade, mortgage payments, and private school tuition for their children.

Mark Stinson also filed a fraudulent tax return for a relative that included a false dependent seeking a refund to which the relative was not entitled. Stinson received a substantial portion of the fraudulent refund.

In addition to the terms of imprisonment, U.S. District Court Judge John T. Fowlkes, Jr. ordered the Stinsons to serve terms of supervised release and to pay restitution of $ 2.8 million.

Principal Deputy Assistant Attorney General Zuckerman and U.S. Attorney Dunavant commended special agents of IRS-Criminal Investigation, who investigated the case, and Assistant U.S. Attorney Damon Griffin and Trial Attorney Nathan Brooks, who prosecuted the case.

Additional information about the Tax Division and its enforcement efforts may be found on the division's website.

Topic(s):
Tax

Press Release Number:
18-257

Component(s):
Tax Division
USAO - Tennessee, Western

Updated March 1, 2018

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE Wednesday, February 21, 2018

New York Attorney Charged with Tax Fraud

Allegedly Did Not Report More Than $3 Million Embezzled From Deceased Client's Estate

An indictment returned by a federal grand jury sitting in Manhattan was unsealed today, charging a New York-licensed attorney and partner at a New York law firm, with conspiring to defraud the United States, corruptly endeavoring to impede the internal revenue laws and tax evasion, announced Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division and U.S. Attorney Geoffrey S. Berman for the Southern District of New York.

According to the indictment, Steven M. Etkind, 57, was the head of a New York law firm's tax, trusts and estates group and a Certified Public Accountant. The indictment alleges that Etkind performed legal work for a successful entrepreneur client, who passed away in 2008, naming Etkind as the co-executor of his $35 million estate.

The indictment further alleges that the client's will directed the creation of charitable trusts, funded with assets from the client's estate, for the sole purpose of donating to charitable organizations, including those aimed at assisting Jewish sponsored organizations. Etkind was allegedly named co-trustee of these trusts.

The indictment charges that Etkind and his co-conspirator set up a phony charitable organization and used it to steal more than $3.5 million from these charitable trusts – by first directing donations from the trusts to legitimate Jewish charitable organizations, then redirecting the funds to the phony charity accounts that Etkind and his co-conspirator controlled. Etkind is alleged to have used part of the money he stole to purchase a 6,300 sq. ft. home with a swimming pool, in Southampton, New York, titling it in a nominee name.

The indictment further alleges that to conceal his theft, Etkind filed, and caused to be filed, fraudulent personal, corporate and charitable trust returns with the Internal Revenue Service (IRS) and made several false and misleading statements to the IRS during the course of an audit and examination.

If convicted, Etkind faces a statutory maximum sentence of five years in prison on the conspiracy charge and each of the tax evasion charges, as well as three years in prison for obstructing the internal revenue laws. He also faces a period of supervised release, restitution and monetary penalties. An indictment is an accusation. A defendant is presumed innocent unless and until proven guilty.

Principal Deputy Assistant Attorney General Zuckerman and U.S. Attorney Berman praised the outstanding efforts by special agents of IRS Criminal Investigation, who conducted the investigation, and Trial Attorneys Jorge Almonte and Jack A. Morgan of the Tax Division, who are prosecuting the case.

Additional information about the Tax Division and its enforcement efforts may be found on the division's website.

Attachment(s):
Download Etkind Indictment

Topic(s):
Tax

Component(s):
Tax Division
USAO - New York, Southern

Press Release Number:
18-221

Updated February 22, 2018

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE Thursday, January 25, 2018

Connecticut Resident Sentenced to Prison for Concealing Assets in Swiss Accounts

Failed to Report Foreign Financial Accounts with Value Exceeding $28 Million

A Greenwich, Connecticut, man was sentenced to six months in prison today for failing to report over $28 million in funds he maintained in Swiss bank accounts to the Department of Treasury, announced Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division, U.S. Attorney Dana J. Boente for the Eastern District of Virginia, and Chief Don Fort, IRS Criminal Investigation (IRS CI). In pronouncing the sentence, U.S. District Court Judge Brinkema took into consideration Kim's cooperation with the government, which occurred for more than a five-year span.

According to documents and other information provided in court, Hyong Kwon Kim, a citizen of South Korea and, since 1998, a legal permanent resident of the United States, resided in Massachusetts and later in Connecticut. Kim, a sophisticated business executive who ran family businesses with operations in the United States and internationally, inherited tens of millions of dollars that he stashed in secret accounts at Credit Suisse, its subsidiaries, and another Swiss bank. Kim deliberately violated the U.S. bank secrecy laws by failing to report his foreign financial accounts to the Treasury Department. U.S. citizens, resident aliens, and permanent legal residents with a foreign financial interest in or signatory authority over a foreign financial account worth more than $10,000 are required to file a Report of Foreign Bank and Financial Accounts, commonly known as an FBAR, disclosing the account.

Kim conspired with a host of foreign enablers, including Dr. Edgar H. Paltzer, his Swiss attorney who pleaded guilty in 2013 in the Southern District of New York, and bankers to conceal his assets and income in Swiss accounts held in his own name, the name of a relative, and in the names of sham corporate entities. Kim schemed with Paltzer and his bankers to structure financial transactions in a manner that allowed him to utilize the funds in the United States, while concealing his ownership and control of the offshore funds. For example, Kim had checks issued to third parties in the United States in order to purchase a luxury home in Greenwich, Connecticut, a waterfront vacation retreat in Chatham, Massachusetts, and jewelry adorned with multi-carat diamonds, emeralds, and rubies. In order to conceal his ownership of the vacation home, Kim and Paltzer created a sham entity to hold title to the home. Kim and

Paltzer acted as if Kim rented the home from a fictitious owner.

In 2008, as Credit Suisse closed accounts held in the names of sham entities owned by persons residing in the United States, Kim refused to bring his assets to the United States. Instead, he transferred his assets to another Swiss bank. Kim send coded messages from the United States to his Swiss banker in order to maintain control of his account.

Kim ultimately brought his assets to the United States by paying a Swiss jeweler millions of dollars for a ring with a 13.9 carat sapphire and three loose diamonds totaling 13 carats.

Along with failing to report his foreign accounts, Kim also filed false income tax returns for 1999 through 2010 with the IRS, failing to report investment income and failing to disclose the earnings from his holdings in the offshore accounts.

In addition to his term of incarceration, U.S. District Court Judge Brinkema ordered Kim to pay a fine of $100,000 and $243,542 in restitution to the IRS. Kim, in accordance with his plea agreement, also paid a civil penalty of over $14 million dollars to the U.S. Treasury for his willful failure to file, and willfully filing false, FBARs.

Principal Deputy Assistant Attorney General Zuckerman, U.S. Attorney Boente and IRS CI Chief Fort commended special agents of IRS CI, who investigated the case, and Senior Litigation Counsel Mark F. Daly and Trial Attorney Robert J. Boudreau of the Tax Division and Assistant U.S. Attorney Mark Lytle of the Eastern District of Virginia, who prosecuted this case.

Additional information about the Tax Division and its enforcement efforts may be found on the division's website.

Topic(s):
Tax

Component(s):
Tax Division
USAO - Virginia, Eastern

Press Release Number:
18-92

Updated January 25, 2018