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## **PRESS RELEASE**

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**FOR IMMEDIATE RELEASE**

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# **CORPORATION AND ITS PRESIDENT PLEAD GUILTY TO TAX EVASION**

**PHOENIX** - The United States Attorney's Office for the District of Arizona announced that on April 29, 2004, Edward Sucato, DOB 3/24/47, of Paradise Valley, Ariz., pled guilty to tax evasion in federal district court in Phoenix. The agreement also indicates Sucato's business, S Corp Construction Management (SCCM), also pled guilty to one count of tax evasion.

Sucato had been charged with violating Title 26 of the United States Code, Section 7201. The plea agreement indicated Sucato owned and operated SCCM, a construction company, and that he had an ownership interest in four different storage operations. The plea indicates two of these storage operations were constructed during the tax years in question. Sucato admitted in the plea that he had SCCM pay the costs involved in constructing these storage facilities. The plea indicated that SCCM then deducted these costs on its tax return as costs relating to other construction projects for which SCCM had been working on. Specifically, Sucato permitted SCCM to deduct these expenses under cost of goods sold, thereby decreasing SCCM's taxable income and tax liability. Additionally, the payment of these construction costs by SCCM represented income to Sucato. This income was not reported on Sucato's personal income tax return and resulted in an understatement

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in taxable income and the amount of tax paid.

In addition, Sucato took corporate checks and deposited them into an account for his personal use. In 1999 Sucato deposited \$73,181.67 of which \$58,215.00 should have been claimed as revenue for SCCM. These funds were placed into an account under the corporate name Canyon Plastering and Drywall, a Nevada corporation operating under SCCM. Also during 1999, \$132,237.41 was withdrawn from this account for Sucato's personal use. These funds were not reported on his personal income tax return and resulted in an understatement in taxable income and the amount of income tax paid. The plea reveals Sucato owed more federal income tax for the calendar year 1999 than was declared on his income tax return and that Sucato knew more income tax was owed than was declared. The plea indicates SCCM, for the fiscal year ending in January 31, 2000, willfully attempted to evade the income tax due by causing a fraudulent U.S. Corporate Income Tax Return to be filed. The plea indicates SCCM under reported its taxable income by \$798,311.36 on this return and under reported the tax due by \$281,254.70. Sucato agreed in the plea agreement to make restitution of \$674,498.16, the resulting totaled tax loss incurred by Sucato and SCCM for the years 1997-1999.

A conviction for tax evasion carries a maximum penalty of 5 years, a \$250,000.00 fine or both. Sentencing is set before Judge Susan R. Bolton on July 23, 2004.

The investigation in this case was conducted by special agents of the Criminal Investigation Division at the Internal Revenue Service.

The prosecution was handled by Howard D. Sukenic, Assistant United States Attorney, District of Arizona, Phoenix.

CASE NUMBER: CR-04-408-PHX-SRB

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