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SACRAMENTO GROCERY STORE PLEADS GUILTY TO WILLFULLY FILING FALSE CORPORATION TAX RETURN

Corporation admits to willfully filing false 1995 corporation tax return with criminal tax loss between $500,000 and $550,000

SACRAMENTO--United States Attorney McGregor W. Scott announced today that VINH PHAT SUPERMARKET, INC., located at 6105A Stockton Blvd., Sacramento, CA, pled guilty to one count of willfully filing a false corporation income tax return for the calendar year 1995, in violation of Title 26, United States Code, Section 7206(1). The corporation will be sentenced on October 1, 2003 by the Honorable David F. Levi, United States District Judge.

According to Assistant United States Attorney Robert M. Twiss, who is prosecuting the case, the plea agreement provides that the guilty plea is conditional, based upon the court finding that a fine of $250,000 is the appropriate fine under the Sentencing Guidelines. If the court finds that the fine which should be imposed is more than $250,000, then VINH PHAT SUPERMARKET, INC., has the right to withdraw its plea of guilty.

According to evidence presented in court, on or about March 15, 1996, VINH PHAT SUPER-MARKET, INC., filed a corporation income tax return, which was false because it understated gross receipts or sales and total gross business income in amounts which were material. Evidence submitted in court revealed that VINH PHAT SUPERMARKET, INC., reported $9,250,608 in gross business receipts and $1,410,071 in total business income. The corporation admitted in court this morning that the amounts of gross receipts and total business income which should have been reported were substantially in excess of those amounts.

The corporation and its responsible persons are required under the terms of the plea agreement to file correct or corrected income tax returns with the Internal Revenue Service and to fully report any income which has not yet been reported. The corporation and all its responsible parties reserved the right to pursue fully all their civil and administrative rights to contest the amount of taxes due as proposed by the Internal Revenue Service. The plea agreement has no impact upon the calculation of the actual amount of taxes due and owing from the corporation and its responsible parties, and the Internal Revenue Service is free to propose whatever tax deficiencies it feels are applicable.

The corporation had a practice of paying for purchases of fruit, vegetables, other produce and baked goods in cash from business receipts as they were received. Because goods purchased for resale were paid in cash, the costs of goods sold were not fully recorded in the books of the corporation. The corporate books also failed to accurately record gross receipts and sales in an amount which was equal to or greater than the amount paid in cash for the fruit, vegetables, produce and bakery goods. As a result, both gross receipts and cost of goods sold were understated in the books and records.

Neither the corporation nor its representatives advised the corporation's outside accountant that the gross receipts and cost of goods sold were understated in the books and records. As a result, the corporation's retained accountant prepared a corporate income tax return which was not accurate.

The corporation admitted that the amount of net tax loss for sentencing guideline purposes resulting from the false tax return was between $500,000 and $549,999. All parties agreed that the actual amount of income taxes for civil purposes to be adjudicated by the Internal Revenue Service and the United States Tax Court may be entirely different.

This case is the product of an extensive investigation by the Criminal Investigation Division of the Internal Revenue Service.

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