



U.S. Department of Justice

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FOR IMMEDIATE RELEASE

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PRESS RELEASE

UNITED STATES CONGRESSMAN MICHAEL GRIMM PLEADS GUILTY TO
CAUSING THE FILING OF A FALSE AND FRAUDULENT TAX RETURN

Grimm Admits to Concealing Over \$900,000 in Gross Income and
Lying Under Oath While a Member of Congress

Earlier today, United States Congressman Michael Grimm pleaded guilty at the federal courthouse in Brooklyn, New York, to aiding and assisting the preparation of a false tax return. Since 2011, Grimm has served as a member of the United States House of Representatives representing New York's 11th Congressional District, which includes the borough of Staten Island and parts of the borough of Brooklyn, in New York City. When sentenced, Grimm faces a prison term of up to three years. In connection with his guilty plea, Grimm also agreed to pay restitution to the Internal Revenue Service (IRS), the New York State Department of Taxation and Finance, and the New York State Insurance Fund (NYSIF). Today's guilty plea proceeding took place before the Honorable Pamela K. Chen, United States District Judge, Eastern District of New York.

The guilty plea was announced by Loretta E. Lynch, United States Attorney for the Eastern District of New York, George Venizelos, Assistant Director-in-Charge, Federal Bureau of Investigation (FBI), New York Field Office, and Richard Weber, Chief, IRS- Criminal Investigation..

"With today's guilty plea, Michael Grimm has admitted that while running his business he chose lies and deception over honest dealings with federal and state authorities as well as his own employees. In addition to pleading guilty to causing the filing of a false tax return for his restaurant, Grimm has signed a statement admitting to the conduct underlying every charge filed against him. Michael Grimm has now publicly admitted that he hired unauthorized workers whom he paid "off the books" in cash, took deliberate steps to obstruct the

federal and state governments from collecting taxes he properly owed, cheated New York State out of workers' compensation insurance premiums, caused numerous false business and personal tax returns to be filed for several years, and lied under oath to cover up his crimes. He will now be held to account for all of his actions that led to those charges," said U.S. Attorney Lynch. "This guilty plea makes clear that we and our partners in the FBI and the IRS will vigorously investigate and prosecute fraud wherever we find it, and that no one is above the law." Ms. Lynch expressed her appreciation to the Public Integrity Section of Department of Justice, the Northern Criminal Enforcement Section of the Tax Division of the Department of Justice, the New York State Insurance Fund, the New York State Department of Taxation and Finance, and the New York State Department of Labor for their assistance in the investigation.

FBI Assistant Director-in-Charge Venizelos stated, "As an elected official, Grimm was responsible for deciding how taxpayers' money should be spent, yet he chose not to pay his fair share of taxes while operating his business. Adding insult to injury, while serving as a Member of Congress, Grimm lied under oath in an effort to conceal his criminal activity. The public expects their elected officials at all levels of government to behave honorably, or at a minimum, lawfully. As his guilty plea demonstrates, Grimm put self-interest above public service."

Richard Weber, Chief, IRS-Criminal Investigation stated, "The public expects their elected officials to meet their tax obligations before they take office, while they hold office and when they leave office. Today, Mr. Grimm admitted to breaching the public's trust by fraudulently underreporting \$900,000 in restaurant gross receipts and lowering payroll taxes through 'off-the-book' payments. As the only law enforcement agency with the authority to investigate federal tax crimes, IRS-Criminal Investigation is committed to ensuring that everyone pays their fair share. In the eyes of the law, public officials are not above the citizens they serve."

In connection with his guilty plea, Grimm entered into a stipulation of facts, filed with the Court today, that acknowledged the scope of his criminal conduct. As part of that stipulation of facts, Grimm admitted that:

- From 2007 through 2009, Grimm was a member in Healthalicious, a restaurant located in Manhattan. During that time period, Grimm oversaw the day-to-day operations of the restaurant, which included the reporting and distribution of the restaurant's payroll.
- Grimm under-reported the true amount that Healthalicious earned, using a portion of those unreported receipts to pay the restaurant's workers "off the books" in cash. With Grimm's knowledge, the restaurant employed those who were not lawfully admitted to the United States and who were not authorized to work in this country.
- In total, Grimm concealed over \$900,000 in Healthalicious' gross receipts from the accountant who prepared and filed the restaurant's tax returns. That accountant used the false information provided by Grimm to prepare and file false federal and state tax returns for Healthalicious.
- Grimm also failed to report the "off the books" cash wages he was paying to Healthalicious workers, which resulted in the restaurant paying lower federal and state payroll taxes. Some Healthalicious employees received at least half of

their wages in cash, while other workers were paid entirely in cash. Grimm tracked these payments in electronic spreadsheets, but failed to provide accurate information about the restaurant's payroll to the payroll processing companies employed by the restaurant. As a result, Grimm caused the payroll processing companies to report to the IRS and the NYS Tax Department less than half of the wages Healthalicious actually paid its employees.

- Additionally, Grimm under-reported Healthalicious' payroll to the New York State Insurance Fund ("NYSIF"), lowering the monthly workers' compensation premium the restaurant paid to NYSIF.
- As part of his scheme, Grimm caused numerous false documents to be filed with federal and state tax authorities between 2007 and 2010, including: (1) Form 941 Employer's Quarterly Federal Tax Returns for Healthalicious; (2) Form 1065 U.S. Return of Partnership Income tax returns for Healthalicious; (3) Forms W-2 reported annual wages of Healthalicious employees; (4) his Form 1040 U.S. Individual Income Tax Returns and Form IT-201 Resident Income Tax Returns; and (5) New York State Form ST-100 Quarterly Sales and Use Tax Returns.
- In total, Grimm's conduct caused federal and New York State tax and NYSIF premium losses between \$80,000 and \$200,000.

Moreover, while a Member of Congress in January 2013, Grimm was deposed under oath by the attorney of a former employee in connection with a civil lawsuit relating to the labor practices at Healthalicious in which Grimm was a defendant. The lawsuit was pending in the United States District Court for the Southern District of New York. Today, as part of the stipulation of facts, Grimm admitted to testifying during the deposition to things that, at the time, he knew to be false. Specifically, Grimm testified during the deposition that Healthalicious employees had not been paid in cash, when he knew that restaurant employees had in fact been paid "off the books" in cash. Similarly, Grimm testified that, to the extent he used email in operating Healthalicious, he used a Yahoo account to which he no longer had access. Today, Grimm admitted that, at the time of the deposition, he in fact had access to an AOL account which he had used for Healthalicious related business and which contained many emails related to the restaurant.

The government's case is being prosecuted by Assistant United States Attorneys Anthony M. Capozzolo, James D. Gatta, and Nathan Reilly.

The Defendant:

MICHAEL GRIMM

Age: 44

Staten Island, New York

E.D.N.Y. Docket No. 14-CR-248 (PKC)

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