



Department of Justice

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Northern District of California**

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SANTA CLARA PAINTER PLEADS GUILTY TO FILING FALSE TAX RETURN

*More than \$1.9 Million Deposited into Undisclosed Bank Accounts That Were Used To Pay
Undocumented Workers in Cash*

SAN JOSE, Calif. – The owner of Melody Painting in Santa Clara, Calif., pleaded guilty today to filing a false tax return, United States Attorney Melinda Haag and Special Agent in Charge, IRS Criminal Investigation, Scott O'Briant announced.

According to the plea agreement, since 1986, Insoo Kim has owned and operated Melody Painting. For the 2003, 2004 and 2005 tax years, Kim filed a Schedule C on his individual income tax returns, reporting Melody Painting's gross receipts and gross wages paid. During those years, Kim maintained separate business bank accounts and concealed all but one account from the accountant who prepared his individual income tax returns and Melody Painting's quarterly employment tax returns. Kim deposited approximately \$1,907,103.33 in business receipts into the undisclosed accounts and paid undocumented workers in cash from those accounts. He knew Melody Painting's receipts were not completely and accurately reflected on his Forms 1040, including his 2004 tax return.

In the spring of 2006, as part of an IRS audit, a Revenue Agent (RA) directed Kim to bring in his and his wife's bank records and Melody Painting's invoice and receipt

records. According to court documents, Kim brought in records of several personal accounts and a single business bank account that he told the RA contained all of Melody Painting's receipts. He also provided invoices that he claimed included invoices for all of Melody Painting's operations during the audit period. In matching invoices to the disclosed bank account, the RA discovered \$200,000 in the account that was not reflected by invoices. The RA asked where the money came from and if Kim had, in fact, disclosed all his records of business income or if he had non-taxable sources of income. Over the course of five meetings with the RA, Kim and his accountant maintained that he had provided all records but did not explain the discrepancy.

According to court documents, in February 2007, the RA issued a series of summonses to various banks for Kim's account information. At a meeting in August 2007, Kim's accountant told him that he needed to report everything because the RA had issued a summons that would determine if he had other accounts and additional income. Kim then admitted that he had three additional bank accounts where business receipts were deposited. Kim explained that he hired some undocumented painters and paid them in cash from those accounts. He then provided the RA with the additional bank records and invoices that were not previously revealed.

The total federal income tax loss to the federal government for the 2003, 2004, and 2005 tax years is \$28,451.

Kim, 57, of Cupertino, Calif., was indicted on March 9, 2011, and charged with three counts of filing a false tax return and eight counts of failure to collect and pay over employment taxes. He pleaded guilty to one count of filing a false tax return.

The maximum statutory penalty for each count of filing a false tax return, in violation of Title 26 U.S.C. § 7206(1) is three years in prison and a fine of \$250,000. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

Tom Moore is the Assistant U.S. Attorney who is prosecuting the case with the assistance of Kathy Tat. The prosecution is the result of an investigation by the Internal Revenue Service – Criminal Investigation and the SBSE or LMSB

Further Information:

Case #: CR 10-0171 RS

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Jack Gillund at (415) 436-6599 or by e-mail at Jack.Gillund@usdoj.gov.

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