

NEWS

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FOR IMMEDIATE RELEASE
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Princeton Businessman Arrested and Charged with
Purposefully Failing to Pay Millions in Payroll Taxes

(More)

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NEWARK – A Mercer County man who owned companies operating in three states, the Cayman Islands and elsewhere was arrested today, charged in an Indictment with failing to pay millions of dollars in taxes withheld from the salaries of employees at his companies, U.S. Attorney Christopher J. Christie announced.

Philip N. Burgess, Jr., 45, was arrested this morning at his Princeton residence by Special Agents of the IRS Criminal Investigation Division. Burgess appeared before U.S. Magistrate Judge Esther Salas and was released on \$250,000 bond, to be secured by a family property in Massachusetts. He also is on electronic monitoring.

(The government argued that Burgess' Princeton home was purchased and financed by the fruits of the scheme with which he is charged. The government also argued that the Princeton property was fraudulently conveyed to a trust in his wife's name to avoid collection efforts by the IRS.)

Burgess owned and controlled numerous companies that performed electrical contracting, sold computer hardware and licensed computer software, among other things, according to the Indictment.

According to the Indictment, Burgess directed those companies that he owned and controlled to withhold more than \$2 million in taxes – known as Trust Fund Taxes – from employee paychecks. Burgess was obligated to pay these taxes over to the IRS but willfully failed to do so, along with approximately \$900,000 in corporate payroll taxes. To avoid IRS collection efforts, Burgess transferred employees and assets among his various companies.

The Indictment also alleges that from 2000 to 2005, Burgess caused his companies to issue at least \$1 million in payments that benefitted Burgess and members of his family. Burgess failed to report any of those payments as income on his individual income tax returns for those years.

The payments covered, among other things, a two-week chartered Caribbean vacation aboard a 72-foot motor yacht, approximately \$200,000 in mortgage payments on Burgess' Princeton residence, and the installation of a 500-square foot in-ground pool at the residence.

The Indictment also alleges that Burgess further schemed to avoid paying taxes by paying certain workers "off the books," concealing assets in the names of family members, trusts, and overseas corporations, and by making false statements to IRS personnel who were attempting to collect outstanding taxes.

The Indictment also charges one of those employees, Stephen R. Parrish, 54, of Princeton.

According to the Indictment, Parrish received more than \$500,000 in payments from companies that Burgess owned and controlled and failed to report those amounts as income on his individual income tax returns. Parrish is expected to surrender voluntarily tomorrow and appear in federal court for an initial appearance.

Burgess is charged in the Indictment with 17 counts of willful failure to pay over taxes to the IRS. Each count carries a statutory maximum penalty of 5 years in prison and a \$250,000 fine.

Burgess and Parrish are each charged in five separate counts of tax evasion, each of which carries a maximum statutory penalty of 5 years in prison and a \$250,000 fine.

Burgess is also charged with one count of obstructing and impeding the administration of the internal revenue laws, which carries a maximum statutory penalty of 3 years in prison and a \$250,000 fine.

In determining an actual sentence, the judge to whom the case is assigned would, upon a conviction, consult the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence. Parole has been abolished in the federal system. Defendants who are given custodian terms must serve nearly all that time.

Despite indictment, the defendants are presumed innocent unless proven guilty beyond a reasonable doubt.

Christie credited Special Agents of the IRS Criminal Investigation Division, under the direction of Special Agent in Charge William P. Offord in Newark with the continuing investigation.

The government is represented by Assistant U.S. Attorney Seth Kosto of the Criminal Division in Newark.

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Counsel for Philip N. Burgess, Jr., Gerald Krovatin, Esq., Newark
Counsel for Steven R. Parrish, John P. McDonald, Somerville, New Jersey