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TAMPA MAN PLEADS GUILTY TO ONE COUNT OF TAX FRAUD

Tampa, Florida - U.S. Attorney Robert E. O'Neill announces that Brian Grafton (46, Tampa) pleaded guilty yesterday to aiding or assisting in the preparation of false tax returns. He faces a maximum penalty of 3 years in federal prison and a fine of \$250,000, or twice the gross gain or twice the gross loss caused by the offense, whichever is greater.

According to the plea agreement, from approximately 2005 to mid-2008, Grafton was the owner and operator of Payroll Pro, Inc. ("PPI"), located in Valrico, Florida. As such, Grafton was in the business of providing various payroll services for various business clients including calculating payroll and payroll taxes, processing payroll, preparing federal payroll tax forms, and collecting and paying to the government, the payroll taxes of his clients. Grafton collected tax money from clients that he was supposed to pay over to the IRS, but instead, Grafton stole a portion of the money collected or the entire amount collected.

Starting in 2005 and continuing through March 2008, Grafton accurately calculated the employees and employers' portions of payroll taxes for his clients and then informed his clients of their respective tax liabilities. These taxes were collected by Grafton to hold, in trust, on behalf of his clients prior to the taxes being paid over to the Internal Revenue Service (IRS) to satisfy the taxes owed. However, instead of paying all of these taxes to

the IRS, as was his contractual and fiduciary duty, Grafton fraudulently diverted the funds for various business and personal purposes, unrelated to the interest of his clients. Grafton would give each of his clients a payroll summary sheet which detailed the taxes due and owing to the IRS for the client's payroll cycle, and would initiate an ACH (Automatic Clearing House) transfer from each client's bank account to a bank account which Grafton controlled. Instead of paying the amount over to the IRS that Grafton told the client was due, Grafton would pay over a lesser amount to the IRS.

In committing the scheme, Grafton prepared tax forms, specifically, Form 941 "Employer's Quarterly Federal Tax Return" which he would send to the IRS which contained false and fraudulent information in that the amount due and owing to the IRS as stated on the form was not the correct amount due and owing, but instead matched the portion of the money that Grafton did submit to the IRS, minus the amount that he skimmed for personal and business use. Grafton intentionally under reported the wages and related payroll taxes to account for the diverted taxes in an attempt to conceal the theft from the IRS.

Grafton defrauded numerous clients using this scheme causing \$1 million in tax losses to the IRS and the federal government. An analysis of Grafton's personal bank account information showed that he embezzled over \$300,000.00 and had transferred the money from his business trust account which he was supposed to manage on behalf of his clients, to his personal bank account and used the funds for various personal expenditures.

The case was investigated by the Internal Revenue Service. It is being prosecuted by Assistant United States Attorney Amanda C. Kaiser.