



Department of Justice

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CINCINNATI BUSINESS OWNER PLEADS GUILTY TO FAILING TO WITHHOLD MONEY FROM EMPLOYEES' CHECKS FOR TAXES

CINCINNATI – John P. Hart II, 48, of Cincinnati pleaded guilty in United States District Court here today to one count of failure to collect and pay over taxes to the Internal Revenue Service, admitting that from 2004 through 2006, he failed to withhold and pay approximately \$678,644.79 in Medicare and Social Security taxes from his employees' paychecks.

Carter M. Stewart, United States Attorney for the Southern District of Ohio, and Jose A. Gonzalez, Special Agent in Charge, Internal Revenue Service Criminal Investigation (IRS), announced the plea entered today before Senior United States District Judge Herman J. Weber.

According to a statement of facts filed with the plea agreement, Hart was the controlling shareholder and owner of Selection Management Systems, Inc. ("SMS"), a corporation Hart formed in 1997 and doing business in Cincinnati. SMS was in the business of conducting employee background checks and providing proprietary software to employers for background checks of prospective employees. SMS employed approximately 40 employees during the relevant time period.

From 2004 through 2006, Hart used SMS corporate funds for expenditures including, but not limited to, funding his skydiving team's attendance at skydiving competitions, funding other skydiving organizations, and paying for his annual membership and expenses at a local country club.

"As a result of these actions, SMS employees were not credited with the taxes that were supposed to have been applied to their individual accounts," Stewart said.

Judge Weber scheduled a sentencing hearing for Hart on June 22, 2010 at 10 a.m.

Failure to collect and pay over taxes to the IRS is punishable by up to five years imprisonment, a fine of up to \$250,000, the costs of prosecution and restitution to the IRS.

Stewart commended the investigation by IRS agents who investigated the case, and Assistant U.S. Attorney Anne Porter, who is prosecuting the case.

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