

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

DEFENSE CONTRACTOR PLEADS GUILTY TO THEFT OF EMPLOYEE PAYROLL TAXES

NEWS RELEASE SUMMARY – January 31, 2013

United States Attorney Laura E. Duffy announced that Ildiko Pinero, an owner and the Chief Financial Officer of Alpha Machining Products & Development Inc. (“Alpha”), pled guilty today before United States Magistrate Judge Nita L. Stormes to failing to pay over to the United States payroll taxes that she withheld from the paychecks of Alpha employees. At the time of the offense, Alpha was a San Diego defense contractor engaged in the machining of weapons parts and other products for the U.S. Department of Defense.

As an employer, Alpha was required to withhold employment taxes from the wages it paid to its workers, including federal income taxes and the employees’ share of Federal Insurance Contributions Act taxes (Social Security and Medicare taxes). These withheld employment taxes are commonly referred to as “trust fund taxes,” because an employer holds these funds in trust for its employees. After collecting

these trust fund taxed, Alpha was required to pay them over to the Internal Revenue Service (“IRS”). In addition, Alpha was required to account for and pay over its own “employer’s share” of the Social Security and Medicare taxes resulting from employing these workers.

As Pinero admitted during her guilty plea this morning, from January 2006 through September 2008, she withheld payroll taxes from the paychecks of Alpha’s employees. These taxes included over \$110,000 in withholdings for federal income tax, plus the employees’ share of Medicare and Social Security taxes. Despite withholding these sums from the employees’ paychecks, Pinero refused to pay the taxes to the Internal Revenue Service. Similarly, Pinero also failed to pay over Alpha’s share of Social Security and Medicare taxes, in the amount of approximately \$57,000.

United States Attorney Duffy emphasized that, “When an employer withholds federal taxes from the paychecks of its hard-working employees, that money isn’t the employer’s to spend. Failing to pass along those withheld funds to the IRS amounts to stealing. This applies to defense contractors like Alpha, just like any other employer.” U.S. Attorney Duffy praised the efforts of agents from the IRS Criminal Investigation, the Defense Criminal Investigative Service, Immigration and Customs Enforcement, and Army Criminal Investigation Division for their collaborative work in this multi-agency investigation.

“Corporate executives have a continuing responsibility to collect and turn over all IRS payroll taxes,” said N. Dawn Mertz, IRS Criminal Investigation (CI) Acting Special Agent in Charge for the Los Angeles Field Office. “The failure to pay over withheld payroll taxes is a very serious offense. IRS CI intends to vigorously pursue those who fraudulently collect payroll taxes and fail to timely remit those taxes.”

The guilty plea is subject to final acceptance by United States District Judge Dana M. Sabraw. Sentencing in this case is currently scheduled for April 19, 2013, at 9:00 a.m., before Judge Sabraw.

DEFENDANT

Case Number: 12cr3125DMS

Ildiko Pinero

SUMMARY OF CHARGES

Count 2: Willful failure to pay over tax, in violation of Title 26, United States Code, Section 7202 - Maximum penalties: 5 years in prison, \$250,000 fine, term of supervised release of three years, restitution, and \$100 special assessment.

INVESTIGATING AGENCIES

Internal Revenue Service - Criminal Investigation
Defense Criminal Investigative Service
Immigration and Customs Enforcement's Homeland Security Investigations
Army Criminal Investigation Division