



U.S. Department of Justice

*United States Attorney
District of Maryland*

*Thomas M. DiBiagio
United States Attorney*

*Vickie E. LeDuc
Public Information Officer*

*6625 United States Courthouse
101 West Lombard Street
Baltimore, Maryland 21201-2692*

*410-209-4800
TTY/TDD: 410-962-4462
410-209-4885
FAX 410-962-3091
Vickie.LeDuc@usdoj.gov*

**SEPTEMBER 10, 2004
FOR IMMEDIATE RELEASE**

**FOR FURTHER
INFORMATION CONTACT
VICKIE E. LEDUC, AUSA
410-209-4885**

SMALL BUSINESS OPERATORS PLEAD GUILTY TO INCOME TAX EVASION

BALTIMORE, Maryland - Thomas M. DiBiagio, United States Attorney for the District of Maryland, announced that Irene Johnson, age 44, and her husband Kenneth Johnson, age 55, both of Frederick, Maryland, pled guilty today before U.S. District Court Judge William D. Quarles to tax evasion.

In a statement of facts provided to the court as part of the plea agreement, the defendants admitted that they operated K.G. Johnson, Inc., a commercial plumbing, heating, and air-conditioning company in Frederick, Maryland. Irene Johnson had primary responsibility for handling accounting and administrative functions. During the years 1998 through 2000, the Johnson's reported income on their personal tax returns, primarily from the company, in excess of \$1,000,000. However, during the same period, the Johnson's had additional unreported income, generated through diversions of money from the company for personal use for the years 1998-2000. Although Kenneth Johnson knew generally that his wife was diverting money from the company, and had some personal knowledge of transactions involving the use of corporate funds for personal items (including his show car collection), he did not know the full extent of the diversions initiated

by Irene Johnson. The defendants agreed in their plea agreements that the tax loss reasonably attributable to Kenneth Johnson is \$53,325 and the tax loss reasonably attributable to Irene Johnson is \$606,248.

The Johnson's each face maximum sentences of five years of imprisonment, three years of supervised release, and a \$250,000 fine. United States District Judge William D. Quarles has scheduled sentencing for December 9, 2004.

The case is a result of an investigation by the Internal Revenue Service, Criminal Investigation Division. The case was prosecuted by Assistant U.S. Attorney Stephanie A. Gallagher.