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Congressman Michael Grimm Pleads Guilty To \$1M Tax Fraud

Rather than go to trial as he promised, U.S. Representative Michael Grimm of Staten Island, New York has plead guilty on tax charges related to his Manhattan health food restaurant Healthalicious. After a federal investigation, Rep. Grimm was hit with a 20-count federal indictment in April 2014. [The indictment](#) claims that the Republican Congressman failed to pay taxes on \$1 million in income and that he hired illegal workers. The charges are serious, even if he weren't an elected official.

Among other things, [the indictment](#) claims that Mr. Grimm under-reported sales and wages of over \$1 million, paid workers in cash under the table, and kept two sets of payroll ledgers. Rep. Grimm allegedly used cash to avoid payroll taxes, income taxes and workers' compensation premiums. The immigration status of his workers has also been questioned.

Part of the charges also relate to his response to questions. When asked in a deposition under oath, Rep. Grimm is charged with falsely testifying that he did not pay any of his workers in cash. Those statements were made in the course of a lawsuit by former Healthalicious employees, who claimed they were not paid minimum wage.



Initially, Rep. Grimm called the indictment a politically motivated witch hunt, and he vowed to fight the charges. And he won re-election to the House in November, beating challenger Domenic Recchia, Jr. to maintain his seat in New York's 11th Congressional District. He even got 53 percent of the vote despite the charges against him. But now he is poised to plead guilty.

It is not clear whether Rep. Grimm will seek to maintain his seat in Congress, though he could face discipline from the House of Representatives, including expulsion. It does not appear that he would face automatic expulsion. Notably, these charges do not include allegations of campaign finance violations and as serious as they are, only relate to Mr. Grimm's role with Healthlicious.

But there have been fundraising concerns too. Concerning Rep. Grimm's fundraising, a former fundraiser for his campaign named Diana Durand has already pleaded guilty to funneling illegal contributions to his 2010 campaign. Rep. Grimm is a former FBI agent, and represents parts of Staten Island and Brooklyn.

As for the pattern of keeping two sets of books and paying in cash, both irregularities feature commonly in tax evasion cases. For example, the president and founder of Detroit-based Happy's Pizza, Happy Asker, was recently [found guilty](#) of 32 tax crimes and conspiracy to defraud the United States. The jury took 4½ hours to convict on three counts of filing false returns, 28 counts of aiding and assisting the filing of false returns for Happy's Pizza franchises, and one count of engaging in a corrupt endeavor to obstruct and impede the administration of the Internal Revenue Code.

In that case, two sets of books and cash payments also featured prominently.

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