



DEPARTMENT OF TAXATION

**News Release**

**NEIL ABERCROMBIE**  
GOVERNOR

---

**FRED PABLO**  
DIRECTOR

**For Immediate Release:**  
May 11, 2012

---

**LOCAL TOUR COMPANY SENTENCED FOR TAX VIOLATIONS**

HONOLULU— Discovering Hidden Hawaii Tours, Inc. was sentenced in Honolulu Circuit Court on April 4, 2012, by the Honorable Judge Richard Perkins for filing false and fraudulent S Corporation income tax returns and annual general excise tax returns for the years 2004 through 2007. During the years 2004 through 2007, Discovering Hidden Hawaii Tours, Inc. earned gross income subject to S Corporation income taxes and general excise taxes ranging from over \$1 million to \$2.2 million dollars each year.

Leopoldo A. Malagon III, as controlling interest and officer of Discovering Hidden Hawaii Tours, Inc., was sentenced for willful failure to file the company's S Corporation income tax returns for the years 2003 through 2007, and annual general excise tax returns for 2004 through 2007.

Discovering Hidden Hawaii Tours, Inc. entered a plea of guilty and requested a deferral of its guilty plea. Judge Perkins granted Discovering Hidden Hawaii Tours, Inc.'s request for a deferral for a period of five years. Leopoldo Malagon was not eligible for deferral.

Discovering Hidden Hawaii Tours, Inc. and Leopoldo Malagon were ordered to pay restitution in the amount of \$243,707; \$100,000 was paid by Discovering Hidden Hawaii Tours, Inc. prior to sentencing. The remaining \$143,707 is to be paid jointly and severally between Discovering Hidden Hawaii Tours, Inc. and Malagon.

In total, Discovering Hidden Hawaii Tours, Inc. and Malagon were ordered to pay \$56,000 in fines. Malagon was also sentenced to one year of probation. Furthermore, both Discovering Hidden Hawaii Tours, Inc. and Malagon were ordered to be tax compliant for the period of their deferral and probation.

Making false and fraudulent statements is a felony violation that carries a fine of up to \$100,000 for individuals and \$500,000 for corporations, and a period of incarceration not to exceed three years or probation.

Willful failure to file return is a misdemeanor violation that carries a fine of up to \$25,000 for individuals and \$100,000 for corporations, and a period of incarceration not to exceed one year or probation.

**###**

For more information, contact:

Dan Umemoto

Criminal Tax Investigator

Phone: (808) 587-1734

Email: [Dan.H.Umemoto@Hawaii.gov](mailto:Dan.H.Umemoto@Hawaii.gov)