



DEPARTMENT OF TAXATION

News Release

LINDA LINGLE
GOVERNOR

KURT KAWAFUCHI, DIRECTOR
Phone: (808) 587-1510
Fax: (808) 587-1560

For Immediate Release: November 4, 2009

WOMAN GUILTY OF TAX VIOLATIONS

HONOLULU — Josephine Q. Lopez, who was indicted by an Oahu Grand Jury on March 27, 2008, was charged with two Class C Felony counts of attempting to evade or defeat tax and two misdemeanor counts of willfully failing to file her individual income tax returns for 2004 and 2005.

The indictment alleged that Lopez received taxable income in the amount of \$298,844 in 2004 and \$467,245 in 2005 for which no taxes were paid. The indictment further alleged that Lopez failed to report income she legitimately received as wages from Division X, Inc. and Installation Services, Inc., and that she deleted some of the accounting records of Division X, Inc. which furthered her intent to evade paying taxes. The records deleted included the records of checks that were drawn on the checking account of Division X, Inc. that were made payable to Josephine Lopez, Josie Lopez and JL Management & Support Services, Inc., a business held by Lopez. Other checks drawn on this same account were for "outside services" that appeared to be business expenses for Division X, Inc. but instead were payments for personal use, payments to a relative of Lopez, and payments used to retire accumulated credit card debt with Capital One and American Express.

(more)

Lopez had relocated to the mainland and she was extradited to Hawaii to answer to the charges specified in the indictment. Lopez originally pled not guilty to all charges but later changed her pleas to guilty and asked for a deferral of those pleas. At the sentencing on October 19, 2009, the State asked the judge to deny the deferral and argued that Lopez should be placed on 5 years probation for each felony count. In addition, the State sought full restitution in the aggregate amount of \$56,201, a jail term of 180 days, imposition of a fine of \$6,000 (\$2,000 for each felony and \$1,000 for each misdemeanor count), and for a requirement that Lopez remain tax compliant throughout the term of her probation. Circuit Court Judge Virginia Crandall, denied Lopez's request for a deferral and found her guilty of all charges. Lopez was placed on probation for five years and ordered to pay restitution in the amount of \$21,343 and \$34,858 respectively at the rate of \$30 a month. Lopez was sentenced to 46 days of imprisonment with credit for time served and must comply with other terms and conditions of probation, which includes remaining tax compliant while on probation.

Attempting to evade or defeat tax is a class C felony subject to a fine up to \$100,000, imprisonment of not more than five years or probation. Failing to file a return is a misdemeanor subject to a fine not to exceed \$25,000, imprisonment not to exceed a year or probation.

###

For more information contact:
Stephen Hironaka
Criminal Tax Investigator
Phone: (808) 587-1795
Email: Stephen.T.Hironaka@hawaii.gov