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**HEADLINE:** A.G. SCHNEIDERMAN ANNOUNCES ARREST, CONVICTION AND \$5.5 MILLION SETTLEMENT IN TAX FRAUD CASE AGAINST PROMINENT TAILOR

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**BODY:**

The following information was released by the office of the New York Attorney General:

Attorney General Eric T. Schneiderman today announced that tailor Mohanbhai "Mohan" Ramchandani and his business corporation, Mohan's Custom Tailors, Inc., pleaded guilty to felony charges related to a ten-year scheme to evade payment of New York sales and income taxes, and agreed to pay \$5.5 million to settle separately filed civil claims that were first raised by a whistleblower under New York State's False Claims Act. Mohan, 66, owns and operates Mohan's Custom Tailors, a men's custom clothing business on East 42nd Street in Manhattan that markets itself as outfitting celebrities and sports stars. Mohan faces up to three years in prison.

The Attorney General's investigation revealed that since at least 2002, Mohan and his business knowingly failed to pay at least \$1.7 million in state and local sales taxes that they nevertheless charged to customers. In addition, for tax years 2007, 2008 and 2009, Mohan knowingly failed to pay at least \$256,000 in state and local personal income taxes.

"There are no excuses for tax cheats - regardless of how prominent they are. Mr. Ramchandani's conviction for orchestrating this multi-million dollar scheme to defraud taxpayers sends a clear message that those who rip off the public will be held accountable for their crimes," said Attorney General Schneiderman. "Honest citizens are harmed by people who break the law to avoid paying their fair share, making it harder for New York State to provide essential services. This office will continue to bring aggressive action against tax evaders who believe they are above the law."

Attorney General Schneiderman's office investigated the claims of a whistleblower with credible insider information about Mohan and Mohan's Custom Tailors' illegal tax practices and pursued them to resolution through the Taxpayer Protection Bureau and the Criminal Prosecutions Bureau, with the additional aid of the New York State Department of Taxation and Finance.

As set forth in the Attorney General's civil complaint, filed today, one indicator that Mohan was falsifying his sales taxes was his consistent use of numbers on his tax forms that he manipulated to be consistent with his belief in numerology, resulting in his reporting of figures with a level of consistency that could not have occurred by chance. When he reported a tax number, he made sure the individual digits added up to a multiple of ten. Thus, in one quarter he manipulated the figure for sales tax due so it appeared to be \$13,484, and  $1+3+4+8+4$  equals 20, which is a multiple of 10. Mohan repeated this type of manipulation for nearly all of his quarterly sales tax filings.

Today, both Mohan and Mohan's Custom Tailors, Inc. pleaded guilty before the Honorable Justice Larry Stephens in New York County Supreme Court. Mohan pleaded guilty to Filing False Returns on Personal Income Taxes, Tax Law 1804(b), a Class E felony; Mohan's Custom Tailors pleaded guilty to Falsifying Business Records in the First Degree, Penal Law 175.10, a Class E felony.

As part of the pleas, Mohan made a detailed and lengthy confession, admitting that with intent to defraud New York State and the Department of Taxation and Finance, he and his business willfully and knowingly failed to pay nearly \$2 million in sales and income taxes. Specifically, Mohan admitted that between September 2002 and June 2012, although Mohan's Custom Tailors made at least \$28,046,064 million in taxable retail sales, Mohan fraudulently reported only \$5,674,738 in retail sales on the tax returns.

In exchange for his guilty plea, Mohan will be sentenced to a prison term of one to three years. He and his business must pay \$5.5 million dollars in damages and penalties as part of the settlement of the Attorney General's civil False Claims Act action.

This multi-million dollar civil settlement marks the first time that the False Claims Act has been used in resolving a tax case. The law requires defendants to pay treble damages and civil penalties if found liable. New York's False Claims Act was strengthened in 2010 by amendments authored by Attorney General Schneiderman when he was a State Senator, and one of these changes was to allow whistleblowers to come forward with claims about substantial violations of the tax laws. Early in his term, Attorney General Schneiderman created the Taxpayer Protection Bureau to fight fraud against the government and handle cases under the False Claims Act. The False Claims Act entitles whistleblowers who report fraud against the government to a share of the recovery.

Neil Getnick, Chairman of Taxpayers Against Fraud, a nonprofit advocacy group for whistleblowers, said, "In 2010 Eric Schneiderman authored and passed the only False Claims Act in the nation that expressly allows for whistleblowers to sue big ticket tax cheats on behalf of the government, and to be protected and rewarded for coming forward. This case has national importance because it conclusively shows that such a law, along with aggressive enforcement methods and an openness to working with whistleblowers, works and benefits taxpayers."

The Attorney General expresses his appreciation to the New York State Department of Taxation and Finance for its important contribution to investigating and prosecuting Mohan and Mohan's Custom Tailors, including the work of Steve Krantz, DTF Attorney, Nicholas Capkovic, Forensic Tax Auditor III, Ronald Chan, Forensic Tax Auditor III, Elias Del Rosario, Tax Auditor II Forensic and Joseph Karott, Tax Auditor II.

The Attorney General's investigation and civil resolution of Mohan and Mohan's Custom Tailors was handled by Taxpayer Protection Bureau Assistant Attorney General Lisa M. White, with assistance from Taxpayer Protection Bureau Auditor Zachary Sciarabba and Senior Counsel Emily Bradford, under the supervision of Deputy Bureau Chief Scott Spiegelman and Bureau Chief Randall Fox. The criminal prosecution was handled by Assistant Attorneys General Benjamin J. Mantell and Joseph G. D'Arrigo of the Criminal Prosecutions Bureau, under the supervision of Deputy Bureau Chief Stephanie Swenton and Bureau Chief Gail Heatherly. Investigators Bradford Farrell, Andrew Scala, Erin Wolfe, Gerard Matheson, Sylvia Rivera and Senior Investigator Luis Carter assisted in the investigation of this case, under the supervision of Supervising Investigator Michael Ward, Supervising Investigator Kenneth Morgan, Deputy Chief John McManus, Deputy Chief Vito Spano and Chief Dominick Zarrella. The entire investigation and prosecution was overseen by Executive Deputy Attorney General for Criminal Justice Kelly Donovan.

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