

Spa Castle to fork over \$2.5 million: AG

by Ryan Brady, Associate Editor | Posted: Thursday, August 30, 2018 10:30 am

Settling with the state, Spa Castle is going to pay \$2.5 million in civil damages and criminal restitution over a tax fraud scheme, New York Attorney General Barbara Underwood and Acting Department of Taxation and Finance Commissioner Nonie Manion announced last Thursday.

Spa Castle Corporate Officer Daniel Chon and the College Point business itself pleaded guilty to felony tax fraud charges, Underwood's office said.

Chon will not be going to prison — he got three years of conditional discharge. He pleaded to third-degree attempted criminal tax fraud and Spa Castle pleaded guilty to second-degree criminal tax fraud, according to Underwood's office.

Other Spa Castle owners had been indicted in the case but are not personally facing penalties.

“The charges against the other defendants are being dismissed as covered by the other two felony pleas and payment of restitution,” Rachel Shippee, a spokeswoman for the attorney general, said in an email to the Chronicle.

Underwood thanked the unnamed person who notified the state of malfeasance, and the individual's counsel. Her office said the case may not have come to light without the source stepping forward.

“We're grateful to the whistleblower who helped bring this egregious conduct to light — and it should serve as a wake-up call to all tax fraudsters who think their misconduct will



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Spa Castle in College Point will fork over \$2.5 million to the state for tax fraud, the authorities announced last week.

go by unnoticed,” she said in a prepared statement.

According to the Attorney General’s Office, the whistleblower will be paid \$575,000 for notifying authorities. Under the New York False Claims Act, folks who blow the whistle on fraud are entitled to a piece of the recovery.

“This is a case where tax cheaters would have stayed under the radar had it not been for a brave whistleblower reporting on the fraud,” Randall Fox of Kirby McInerney LLP, one of the two attorneys who represented the source, said in a prepared statement.

The person who informed the authorities of the wrongdoing filed a legal action in accordance with the False Claims Act’s “qui tam” clause, which allows individuals to do so, in August 2014. After that, the Attorney General’s Office’s Taxpayer Protection Bureau kicked off a civil probe into Spa Castle.

A separate criminal investigation was started after that by the office’s Criminal Enforcement and Financial Crimes Bureau.

In August 2015, investigators seized Spa Castle records, finding that the business underreported earnings to avoid paying corporate, MTA surcharge and sales taxes, the prosecution in the case said.

The tax fraud case is not the first time Spa Castle has landed itself in controversy.

Earlier this year, the business was fined \$1,000 by the state Department of Labor, which accused it of violating the state Child Labor Statute.

And in an unrelated situation, a 6-year-old girl nearly drowned at Spa Castle in February 2016, which led the Health Department to temporarily shut the business’ pools down.