



Department of Justice

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\$13.6 MILLION FORFEITURE SETTLEMENT IN TOBACCO INDUSTRY TAX EVASION CASE

SACRAMENTO, Calif. — House of Oxford Inc., of New Jersey, and its officers agreed to forfeit to the United States more than \$13.6 million in cash, property, jewelry, artwork, and luxury automobiles that were acquired with proceeds of the sale of tobacco products in California in a manner that evaded the payment of the required state excise tax, announced United States Attorney Benjamin B. Wagner and the Bureau of Alcohol, Tobacco, Firearms and Explosives Special Agent in Charge Joseph M. Riehl.

California imposes an excise tax, which is set annually, on non-cigarette tobacco products known as "other tobacco products" (OTP). The 2014-15 rate is 28.95 percent. California law defines OTP as all forms of cigars, smoking tobacco, chewing tobacco, snuff, and any other items made of or containing at least 50 percent tobacco. A large percentage of the proceeds of the excise tax are used to fund California's early childhood development program, First 5 California.

According to court documents filed in the civil settlement, House of Oxford helped other companies evade the California OTP excise tax by (1) shipping OTP to California, but falsely billing the sales to other states, (2) shipping OTP to states located near California knowing that it would be shipped into California without the tax being paid, and (3) by shipping to addresses in California that were not licensed to receive tobacco by the California Board of Equalization.

"Today's forfeiture is the latest result of the collaborative effort of federal and state investigators and prosecutors into systematic tax evasion in the distribution of tobacco products in California," said U.S. Attorney Wagner. "We have obtained criminal convictions of 23 persons in this effort. The \$13.6 million forfeiture announced today, one of the largest civil forfeitures ever in this district, serves as a further warning to anyone who would be tempted to

defraud the State of California.”

“ATF is working diligently to investigate and disrupt tobacco traffickers. These investigations are arduous and require a long-term commitment from members of our task force and prosecution team,” stated ATF Special Agent in Charge Riehl.

“This recovering of tax dollars lost to the underground economy is crucial to leveling the playing field for California businesses. Tax fraud hurts all Californians, especially those who rely on the vital programs these taxes fund,” said Board of Equalization Chairman Jerome E. Horton.

This case is the product of a series of investigations by a specialized task force composed of the U.S. Attorney’s Office, the California Board of Equalization, the Bureau of Alcohol, Tobacco, Firearms and Explosives, and the California Attorney General’s office. For the last several years, these offices have supported a task force dedicated to combating the systemic problem of tobacco excise tax evasion in California. The BOE estimates the state will lose approximately \$87.8 million in excise taxes for 2014 due to untaxed distributions of non-cigarette tobacco products. This is down from the BOE’s 2007 estimate of \$94 million in annual losses, thanks in part to the enforcement efforts of this task force. Assistant United States Attorneys Michael D. Anderson and Kevin Khasigian prosecuted the case.

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