

April 2006

T. Dennis Connally newsletter

Georgia—Corporate, Personal Income Taxes: Wage Deduction Limited; Withholding Required

Effective January 1, 2008, the Georgia corporate income tax business deduction for wages* is limited to \$600 unless the employee is authorized to work in the United States. The limitation applies regardless of whether federal Form 1099 is used. Exceptions to the wage limitation are provided for (1) Georgia businesses exempt from compliance with federal employment verification procedure; (2) individuals hired before January 1, 2008; (3) individuals not directly compensated by the taxpayer; and (4) individuals who hold a valid license or identification card from the Georgia Department of Driver Services.

*includes payroll wages, independent contractor, subcontractor, day laborers and casual laborers.

ICE Agents Arrest Seven Managers of Nationwide Pallet Company and 1,187 of the Firm's Illegal Alien Employees in 26 States

For Immediate Release

Office of the Press Secretary

Contact: ICE Public Affairs, 202-514-2648

April 20, 2006

Homeland Security Secretary Michael Chertoff; Julie L. Myers, Assistant Secretary for U.S. Immigration and Customs Enforcement (ICE); and Glenn T. Suddaby, United States Attorney for the Northern District of New York, today announced the results of a nationwide worksite enforcement operation targeting IFCO Systems North America, Inc. ("IFCO"), the largest pallet services company in the United States headquartered in Houston, Texas.

Yesterday, ICE agents arrested seven current and former managers of IFCO pursuant to criminal complaints issued in the Northern District of New York. All these individuals are charged with conspiring to transport, harbor, and encourage and induce illegal aliens to reside in the United States for commercial advantage and private financial gain, in violation of Title 8, USC Section 1324 (a). The conspiracy charge carries a penalty of up to 10 years in prison and a fine of up to \$250,000 for each alien with respect to whom the violation takes place. Two other IFCO employees were arrested on criminal charges relating to fraudulent documents.

In addition to the criminal arrests, ICE agents yesterday conducted "consent" searches or executed criminal search warrants at more than 40 IFCO plants and related locations in 26 states that resulted in the apprehension of approximately 1,187 illegal alien IFCO employees. Three of the criminal search warrants were executed at residences in Guilderland, NY, where IFCO was allegedly housing illegal alien employees.

The consent searches and search warrants were conducted at locations in Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Illinois, Indiana, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Jersey, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Texas, South Carolina, Virginia and Utah.

The arrests and search warrants are part of an ongoing criminal investigation of IFCO's Pallet Management Services division that began more than a year ago. The investigation is being conducted by ICE, New York State Police - Upstate New York Regional Intelligence Center,

Social Security Administration Inspector General, Internal Revenue Service - Criminal Investigation, and the Department of Labor Inspector General. The Guilderland Town Police Department and Schenectady Police Department also provided assistance.

According to a government affidavit filed in the Northern District of New York, the investigation began in February 2005 when ICE agents received information that IFCO workers in Guilderland, NY, were witnessed ripping up their W-2 tax forms and that an IFCO assistant general manager had explained that these workers were illegal aliens, had fake Social Security cards and did not intend to file tax returns.

According to the affidavit, subsequent investigation indicated that IFCO officials transported illegal aliens to and from work; paid rent for the housing of illegal alien employees; and deducted money from the aliens' monthly paychecks to cover these expenses. Former IFCO employees also said it was common practice for IFCO to hire workers who lacked social security cards or produced bogus identification cards.

The affidavit also alleges that IFCO officials knowingly hired an illegal alien who was an informant for ICE. In numerous recorded conversations, IFCO officials reimbursed this person for obtaining fraudulent identity documents for other illegal alien employees; used the person to recruit other illegal workers; and advised the person and other illegal alien employees on how to avoid law enforcement detection, the affidavit alleges.

The affidavit further alleges that approximately 53.4 percent of the Social Security numbers contained on the IFCO Systems North America Inc. payroll of roughly 5,800 workers during 2005 were either invalid, did not match the true name registered with the Social Security Administration for that number, or belonged to children or deceased persons. The Social Security Administration sent at least 13 written notifications to IFCO headquarters about such discrepancies on its payroll records in 2004 and 2005, the affidavit alleges.

Employers and workers alike should be on notice that the status quo has changed," said Homeland Security Secretary Michael Chertoff. "These enforcement actions demonstrate that this department has no patience for employers who tolerate or perpetuate a shadow economy. We intend to find employers who knowingly or recklessly hire unauthorized workers and we will use every authority within our power to shut down businesses that exploit an illegal workforce to turn a profit."

ICE Assistant Secretary Myers said, "ICE has no tolerance for corporate officers who harbor illegal aliens for their workforce. This nationwide enforcement action shows how we will use all our investigative tools to bring these individuals to justice, no matter how large or small their company."

Glenn T. Suddaby, United States Attorney for the Northern District of New York said, "The IFCO case is an outstanding example of intense cooperation between prosecutors, federal investigators, and state and local police which has successfully concluded a 14 month conspiracy investigation."

New York State Police Superintendent Wayne E. Bennett said, "It is disturbing that there are businesspeople who have decided to exploit illegal aliens for the sole purpose of their own financial gain. Compounding the issue is the fact that corporation officials also engaged in tactics to obtain false identifications; instructed illegal aliens on how to avoid detection by law enforcement officials; and, practiced deception with government agencies regarding the true identifications of the workers."

Those arrested yesterday pursuant to the criminal complaints are:

Robert Belvin, 43, of Clifton Park, NY, the former general manager of the IFCO plant in Guilderland, NY; arrested yesterday in Guilderland.

Abelino “Lino” Chicas, 40, of Houston, TX, the assistant general manager of the Houston West IFCO plant in Houston, TX; arrested yesterday in Atlanta.

James Rice, 36, of Houston, TX, a former IFCO new market development manager and regional general manager; arrested yesterday in Houston.

William “Billy” Hoskins, 29, of Cincinnati, OH, an IFCO new market development manager and the general manager of the Cincinnati IFCO plant; arrested yesterday in Milwaukee.

Michael Ames, 44, of Shrewsbury, MA, the general manager of the IFCO plant in Westborough, MA; arrested yesterday in Westborough.

Dario Salzano, 36, of Amsterdam, NY, the assistant general manager of the IFCO plant in Guilderland, NY; arrested yesterday in Guilderland.

Scott Dodge, 43, of Amsterdam, NY, a former foreman at the IFCO plant in Guilderland and at the IFCO satellite location within the Target Distribution Center in Amsterdam, NY; arrested yesterday in Amsterdam.

Vincente Araus-Rivera, 44, an employee at the IFCO plant in Guilderland, NY; arrested yesterday in Guilderland.

Ovidio Umana, 28, an employee at the IFCO plant in Guilderland, NY; arrested yesterday in Guilderland.

It is important to note that criminal complaints contain mere allegations. Defendants are presumed innocent unless and until proven guilty in a court of law