

NEWS RELEASE

From the Office of the Indiana Attorney General

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FOR IMMEDIATE RELEASE

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Criminal tax evasion charges filed against Mauckport dog breeders

Attorney General Zoeller: Breeders sold consumers diseased dogs, didn't pay taxes

INDIANAPOLIS – Felony charges of tax evasion were filed today against two Harrison County dog breeders who are accused of selling hundreds of dogs and puppies without collecting sales tax.

Today the Office of the Indiana Attorney General filed criminal tax-evasion charges against the mother-and-daughter defendants, Virginia Garwood, 63, and Kristen Garwood, 26, both of Mauckport, Ind.

"The defendants were making sales to Hoosiers who expected healthy animals. And they were making no attempt to collect sales tax for the State of Indiana. This is a crime and is unfair to taxpaying businesses that do play by the rules," Indiana Attorney General Greg Zoeller said.

The Garwoods are charged with four counts each of evasion of income tax and two counts each of failure to remit or collect sales tax, all Class D felonies. They also are charged with failure to preserve sales-tax records, a Class A misdemeanor, and failure to register as a retail merchant, a Class B misdemeanor.

The probable-cause affidavit alleges the two women sold puppies and dogs commercially since 2004 but did not report the earnings they derived from dog sales as income, and did not collect or remit sales taxes to the State of Indiana. They published advertisements in local newspapers numerous times offering puppies for sale. Moreover, Virginia Garwood illegally declared her adult daughter Kristen Garwood as a dependent on her tax returns, the affidavit alleges.

Felony charges were filed in Marion County today under the Attorney General's authority by state statute to prosecute tax evasion on behalf of the Indiana Department of Revenue.

Based on a complaint about possible sales-tax evasion at the Garwoods' dog-breeding operation, investigators from the Attorney General's office, State Police and Department of Revenue served a search warrant June 2 on the Breezy Valley Dairy Farm in Mauckport, owned by Virginia Garwood. To satisfy a tax-jeopardy assessment of more than \$132,440 in unpaid sales and income taxes, the investigators seized the inventory of the business – 240 dogs and puppies that had been confined in squalid cages – as well as tax records.

Because of the large number of live animals, volunteers from the Humane Society of the United States assisted in removing dogs to an emergency shelter in New Albany, Ind. Two of the puppies seized June 2 later tested positive for Giardia, a highly contagious gastrointestinal parasite that can be transmitted to dogs and people.

After receiving veterinary care, the remaining dogs were transferred to 10 animal shelters around the state and made eligible for adoption.

Since then, the Attorney General’s Revenue Division has continued the investigation into the suspected tax evasion, culminating in the filing of criminal charges today in Marion County Criminal Superior Court 24. The judge set bond at \$3,500 surety or \$1,500 cash.

Zoeller noted a new law the Indiana General Assembly passed that takes effect July 1, House Enrolled Act 1468, authorizes the Attorney General’s office to file civil actions against commercial dog-breeding businesses that fail to register with the state.

The charges against the Garwoods were filed under existing law, however. “It doesn’t matter whether a retail merchant is selling puppies or plasma TVs or tennis rackets; if they are not collecting and remitting sales tax, it’s a crime,” Zoeller added. “By the time tax evaders are misleading consumers and selling diseased animals that can endanger the public, their actions no longer can be considered legitimate commerce.”

If convicted, a defendant would face six months to three years in prison on each Class D felony, up to one year on a Class A misdemeanor and up to six months on a Class B misdemeanor, though sentences could be served concurrently.

All defendants are legally considered innocent until proven guilty of a criminal charge.

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