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# ‘Spa Castle’ In Hot Water With NY AG Over \$1.5M Unpaid Tax

## By Jack Newsham

Law360, New York (March 22, 2017, 8:23 PM EDT) — A massive spa complex in Queens, New York, and its owners and operators face 11 felony counts of tax fraud and theft after Attorney General Eric Schneiderman accused them on Wednesday of dodging \$1.5 million in taxes by dealing in cash and underreporting revenues from 2010 to 2013.

Steve Chon, his brothers Daniel and Victor, and his daughter Stephanie were freed on bond after being arraigned on Wednesday, and they face a maximum of five to 15 years in prison under the charges, Schneiderman said. The defendants run Spa Castle Inc., a popular facility that contains pools, saunas, food services and other amenities across 100,000 square feet.

Agents from the prosecutor’s office and the [New York Department of Taxation and Finance](#) hit the spa with a search warrant in August 2015 and ultimately concluded that it had underreported its income by millions and dodged a total of \$621,000 in sales taxes, \$207,000 in withholding taxes, \$610,000 in corporate taxes and \$131,000 in public transit surcharges owed to the state between January 2010 and September 2013.

“Companies that fail to pay their fair share of taxes leave ordinary New Yorkers to foot the bill,” said Attorney General Schneiderman. “We will not tolerate irresponsible business owners who cheat the system and undermine our tax laws.”

Schneiderman’s office said Spa Castle pulled in more than \$22 million a year at its Queens location during the period covered by the investigation in the form of admissions fees and other fees for other services. The company opened another spa in Texas in 2012, according to its website, and its owners also run a spa in Manhattan called Premier 57.

The tax trouble isn’t the first time Spa Castle has wound up in court. New York court records show that it has had to defend against several tort claims in recent years, and it paid \$340,000 last year to settle a class action in which employees alleged they were underpaid.

Alfredo Mendez, a lawyer for Steve Chon and the company who represented all the defendants at their arraignment, said they “vehemently deny” the state’s charges and noted that they went back several years. He said they would address the substance of them in court.

“This is a business that has been celebrating its tenth anniversary and has been a vital force in the economic development of Queens County,” he said.

The charges include two counts of second-degree grand larceny, eight counts of second-degree criminal tax fraud and one count of third-degree criminal tax fraud.

The state of New York is represented by assistant attorney general Hugh L. McLean.

The defendants are represented by Alfredo F. Mendez of [Abrams Fensterman Fensterman Eisman Formato Ferrara & Wolf LLP](#).

The case is People v. Chon, et al., indictment number 461/2017 in Queens County Supreme Court.