

IRS**Fact Sheet****Criminal Investigation**

Report suspected tax fraud - 1-800-829-0433

April 2003

Construction Industry Fact Sheet

Tax fraud investigations are the main component of IRS Criminal Investigation's efforts to foster voluntary compliance with the tax laws. Many of these investigations include white-collar financial crimes in legal industries and involve individuals from all facets of our economy.

Special agents of IRS Criminal Investigation have investigated and recommended to the Department of Justice for prosecution several individuals involved in the construction industry. These investigations vary from tax evasion to employment tax fraud to money laundering conspiracies.

Statistical Information	FY 2000	FY 2001	FY 2002
Criminal Investigations Initiated	165	194	248
Prosecution Recommendations	91	147	127
Indictment/Informations Filed	99	132	145
Convictions	108	96	135
Incarceration Rate	80.5%	72.3%	79.4%
Avg Months to Serve (all Sent)	29	30	30

Case Summaries

The following case summaries are excerpts from public record documents on file in the court in the judicial district in which the cases were prosecuted.

- On March 14, 2003, in Memphis, TN, David Cantu Jr., was sentenced to 48 months in prison, ordered to pay \$860,435 in restitution to the IRS and pay a forfeiture amount of \$10,000,000 to the United States. Cantu and his company, Brother's Construction II, pleaded guilty to conspiracy to commit money laundering and willful failure to file proper payroll taxes, as well as conspiracy to harbor, encourage, or induce aliens to work at a variety of construction sites. The construction sites included the Adelphia Stadium, home of the Tennessee Titans NFL team, and the Federal Express World Headquarters. Cantu maintained the workers were 'independent contractors' therefore his company was not responsible for taxes. During a five quarter tax period covering January 1, 1999, and ending March 31, 2000, Cantu, doing business as Brother's Construction II, paid in excess of \$3.6 million in gross wages to employees, which should have resulted in approximately \$631,478 in payroll taxes and federal withholding taxes.
- On August 20, 2002, in Los Angeles, CA, Gary Lee Morris, a San Fernando Valley contractor, was sentenced to 27 months in prison for his conviction on a felony tax charge arising from his failure to report over \$200,000 in business receipts. In an attempt to defraud the tax system, Morris requested that his contracting clients make payments to him by writing multiple checks on the same day. Morris would then record only one of the checks on his

books and records, and then convert the other to cash in order to keep some of his profits "off the books." The books and records that understated his income were then used to create Morris' tax returns.

- On April 24, 2002, in Sacramento, CA, Joseph J. Skokan, Sr., and Joseph M. Skokan, Jr., were sentenced to imprisonment of 24 months and 30 months, respectively. On January 16, 2002, the Skokans pled guilty to one count of conspiracy to defraud the United States with regard to the assessment and collection of federal income and employment taxes.

The Skokans are partial owners of JJ Rebar, Inc., a steel manufacturing and fabricating business. Over \$3.5 million in wages and salaries that was paid to over 200 employees of JJ Rebar was not reported to IRS between 1992 and 1997. During a portion of the 1992-1997 years, JJ Rebar would properly withhold taxes for wages and salaries and properly report them to the IRS. For other pay cycles, some employees received wages and salaries by checks drawn on an account of a fictitious company, PM Fab Co. Prior to employees being paid from this account, money was transferred from the JJ Rebar general account into the PM Fab Co. account. Both father and son intentionally did not withhold federal income taxes, social security and medicare taxes when employees were paid from the PM Fab Co. account. The total tax loss to the government for criminal purposes was approximately \$950,000.

- Custom Craftsman and J.B. Michaels Construction companies were general contracting companies located in Brooklyn, New York. These companies were owned and operated by John DeLosa and Brian Long. DeLosa and Long hid their payment of cash wages to employees by causing their companies to issue checks purportedly to sub-contractors, fictitious individuals and former employees. Both DeLosa and Long then negotiated the checks and used the cash proceeds to pay their employees. The two then prepared false Quarterly Employer's Tax Returns (Forms 941) which omitted the cash wages that were paid to their employees, thereby unlawfully reducing J.B. Michaels Construction's and Custom Craftsman's federal payroll taxes.

On February 8, 2002, DeLosa and Long were each sentenced to 9 months in prison, 3 years supervised release and were ordered to pay restitution in the amount on \$273,056.

- On May 28, 2002, prosecutors told the Court that Albert DeGeorge, of Medway, Massachusetts worked as a roofer and intentionally failed to report on his tax returns money he was paid in cash under-the-table for several years, including the year 1994 for which he pled guilty. According to the prosecutor, the amount of unreported income amounted to over \$100,000. Kenneth Sullivan, also of Medway, participated in the same under-the-table payment scheme and was sentenced on December 19, 2001. He also pleaded guilty to the charge of filing a false federal income tax return. Both DeGeorge and Sullivan received sentences of 2 years probation, the first 8 months of which are to be served under house arrest and a \$2,000 fine.

To report suspected tax fraud, call 1-800-829-0433.

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