

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA

v.

GUS PAPPAS

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No. _____
Violations: Title 26, United States
Code, Section 7206(1)

COUNT ONE

The SPECIAL SEPTEMBER 2011 GRAND JURY charges:

1. At times material to this indictment:

(a) Defendant GUS PAPPAS was the 100% owner and operator of Palos Garden, Inc., doing business as Palos Garden Restaurant, a corporation with its headquarters in Palos Heights, Illinois. Palos Garden, Inc. was engaged in the restaurant business.

(b) Palos Garden, Inc. was a Subchapter S corporation and therefore required to file a United States Income Tax Return for an S Corporation (Form 1120S with schedules and attachments). The net business income or loss of Palos Garden, Inc., after deduction of expenses, was then required to be reported on the United States Individual Income Tax Return (Form 1040 with schedules and attachments) of its shareholder, namely, defendant GUS PAPPAS.

(c) Between at least 2005 and 2007, defendant GUS PAPPAS failed to report to his accountant and to the Internal Revenue Service the cash receipts of Palos Garden, Inc., thus understating the business's gross receipts by several hundreds of thousands of dollars each year. For the year 2005, the gross receipts were understated

by approximately \$677,000; for the year 2006, the gross receipts were understated by approximately \$724,000; and for the year 2007, the gross receipts were understated by approximately \$821,000. This in turn caused the net corporate income, which was required to be reported on defendant's United States Individual Income Tax Return, to be understated by approximately \$161,000 for the year 2005, approximately \$362,000 for the year 2006, and approximately \$387,000 for the year 2007, for a total of approximately \$910,000 during the three-year period from 2005 through 2007.

2. On or about March 15, 2006, in the Northern District of Illinois, Eastern Division, and elsewhere,

GUS PAPPAS,

defendant herein, willfully made and subscribed, and caused to be made and subscribed, a United States Income Tax Return for an S Corporation (Form 1120S with schedules and attachments) for Palos Garden, Inc. for the calendar year 2005, which return was verified by a written declaration that it was made under the penalties of perjury, and filed with the Internal Revenue Service, which return the defendant did not believe to be true and correct as to every material matter, in that he represented and caused to be represented in said return and its accompanying schedules that for the calendar year 2005, the amount of Palos Garden, Inc.'s gross receipts (line 1a) was \$687,978, whereas, as the defendant then and there well knew and believed, Palos Garden, Inc.'s gross receipts during 2005 was an amount substantially in excess of \$687,978;

In violation of Title 26, United States Code, Section 7206(1).

COUNT TWO

The SPECIAL SEPTEMBER 2011 GRAND JURY further charges:

1. Paragraph 1 of Count One is incorporated here.

2. On or about April 15, 2006, in the Northern District of Illinois, Eastern Division, and elsewhere,

GUS PAPPAS,

defendant herein, who during the calendar year 2005 was married and was a resident of Tinley Park, Illinois, did willfully make and subscribe a joint United States Individual Income Tax Return (Form 1040 with schedules and attachments) for the calendar year 2005, on behalf of himself and his wife, which return was verified by a written declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service, which return the defendant did not believe to be true and correct as to every material matter, in that the said return stated that the income from S corporations (Line 17 and Schedule E) for defendant was a loss of \$16,921, and that the total income (Line 22) for defendant and his wife was \$11,309, whereas, as the defendant then and there well knew and believed, their income from S corporations during 2005 was an amount substantially in excess of a loss of \$16,921, and their total income during 2005 was an amount substantially in excess of \$11,309;

In violation of Title 26, United States Code, Section 7206(1).

COUNT THREE

The SPECIAL SEPTEMBER 2011 GRAND JURY further charges:

1. Paragraph 1 of Count One is incorporated here.
2. On or about March 15, 2007, in the Northern District of Illinois, Eastern

Division, and elsewhere,

GUS PAPPAS,

defendant herein, willfully made and subscribed, and caused to be made and subscribed, a United States Income Tax Return for an S Corporation (Form 1120S with schedules and attachments) for Palos Garden, Inc. for the calendar year 2006, which return was verified by a written declaration that it was made under the penalties of perjury, and filed with the Internal Revenue Service, which return the defendant did not believe to be true and correct as to every material matter, in that he represented and caused to be represented in said return and its accompanying schedules that for the calendar year 2006, the amount of Palos Garden, Inc.'s gross receipts (line 1a) was \$664,364, whereas, as the defendant then and there well knew and believed, Palos Garden, Inc.'s gross receipts during 2006 was an amount substantially in excess of \$664,364;

In violation of Title 26, United States Code, Section 7206(1).

COUNT FOUR

The SPECIAL SEPTEMBER 2011 GRAND JURY further charges:

1. Paragraph 1 of Count One is incorporated here.

2. On or about April 27, 2007, in the Northern District of Illinois, Eastern Division, and elsewhere,

GUS PAPPAS,

defendant herein, who during the calendar year 2006 was married and was a resident of Tinley Park, Illinois, did willfully make and subscribe a joint United States Individual Income Tax Return (Form 1040 with schedules and attachments) for the calendar year 2006, on behalf of himself and his wife, which return was verified by a written declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service, which return the defendant did not believe to be true and correct as to every material matter, in that the said return stated that the income from S corporations (Line 17 and Schedule E) for defendant and his wife was \$5,050, and that the total income (Line 22) for defendant and his wife was \$35,554, whereas, as the defendant then and there well knew and believed, their income from S corporations during 2006 was an amount substantially in excess of \$5,050, and their total income during 2006 was an amount substantially in excess of \$35,554;

In violation of Title 26, United States Code, Section 7206(1).

COUNT FIVE

The SPECIAL SEPTEMBER 2011 GRAND JURY further charges:

1. Paragraph 1 of Count One is incorporated here.
2. On or about March 20, 2008, in the Northern District of Illinois, Eastern

Division, and elsewhere,

GUS PAPPAS,

defendant herein, willfully made and subscribed, and caused to be made and subscribed, a United States Income Tax Return for an S Corporation (Form 1120S with schedules and attachments) for Palos Garden, Inc. for the calendar year 2007, which return was verified by a written declaration that it was made under the penalties of perjury, and filed with the Internal Revenue Service, which return the defendant did not believe to be true and correct as to every material matter, in that he represented and caused to be represented in said return and its accompanying schedules that for the calendar year 2007, the amount of Palos Garden, Inc.'s gross receipts (line 1a) was \$590,131, whereas, as the defendant then and there well knew and believed, Palos Garden, Inc.'s gross receipts during 2007 was an amount substantially in excess of \$590,131;

In violation of Title 26, United States Code, Section 7206(1).

COUNT SIX

The SPECIAL SEPTEMBER 2011 GRAND JURY further charges:

1. Paragraph 1 of Count One is incorporated here.

2. On or about April 15, 2008, in the Northern District of Illinois, Eastern Division, and elsewhere,

GUS PAPPAS,

defendant herein, who during the calendar year 2007 was married and was a resident of Tinley Park, Illinois, did willfully make and subscribe a joint United States Individual Income Tax Return (Form 1040 with schedules and attachments) for the calendar year 2007, on behalf of himself and his wife, which return was verified by a written declaration that it was made under the penalties of perjury and was filed with the Internal Revenue Service, which return the defendant did not believe to be true and correct as to every material matter, in that the said return stated that the income from S corporations (Line 17 and Schedule E) for defendant and his wife was \$0, and that the total income (Line 22) for defendant and his wife was \$27,953, whereas, as the defendant then and there well knew and believed, their income from S corporations during 2007 was an amount substantially in excess of \$0, and their total income during 2007 was an amount substantially in excess of \$27,953;

In violation of Title 26, United States Code, Section 7206(1).

A TRUE BILL:

FOREPERSON

UNITED STATES ATTORNEY