

NEWS

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Somerdale Man Admits Conspiring to Defraud the IRS

(More)

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CAMDEN – A Somerdale man pleaded guilty today to a one-count Information that charges him with conspiracy to defraud the IRS, admitting he participated in a scheme to shield income generated from the sale of a business called Municipal Code Inspections, Inc., U.S. Attorney Paul J. Fishman announced.

Michael Schaffer, 62, made his first appearance in federal court and pleaded guilty before U.S. District Judge Jerome B. Simandle. Judge Simandle released the defendant on a \$100,000 bond pending sentencing, which is scheduled for June 4.

According to the Information, Schaffer and individuals identified only as “G.D.” “A.S.” and “L.D.” each had a business interest in Municipal Code Inspections, Inc., (“MCI”), located in Washington Township, Gloucester County. In 2003 through 2004, the Information alleges that Schaffer, L.D., G.D., M.S. and Victor Fabietti, Jr., 45, of Linwood, devised a scheme to shield payments made to A.S. and M.S. in exchange for their shares in the business.

At his plea hearing, Schaffer admitted that Luciano DiSalvatore and G.D. met with Fabietti in 2004 to discuss the payment of \$165,000 from MCI to Schaffer. Luciano DiSalvatore and G.D. discussed with Fabietti the tax consequences upon Schaffer as result of the \$165,000 payment and that it would be more favorable to Schaffer, for income tax purposes, for the payment to be reported as a loan.

As a result of the conversation, Luciano DiSalvatore and G.D. agreed that the MCI payment to Schaffer should be characterized as a loan, he admitted. Schaffer further admitted that Luciano DiSalvatore and G.D. gave him \$165,000, which was taxable income, but received the benefit of the entire amount without paying taxes.

DiSalvatore, who was a principal of MCI, pleaded guilty before Judge Simandle on Nov. 23, 2009, to one count each of conspiracy to defraud the United States and making a false statement. DiSalvatore is scheduled to be sentenced on March 5.

Fabietti, who performed accounting duties for MCI, pleaded guilty before Judge Simandle on Dec 5, 2008, to one count each of conspiracy to defraud the United States and making a false statement. Fabietti is scheduled to be sentenced on April 9.

At his plea hearing, Fabietti admitted that in 2003, he met with two individuals who owned a portion of MCI regarding their intention to purchase a third person’s interest in the business. Fabietti admitted that various options were discussed about how to structure the buyout payment. Ultimately, the two owners determined that they would pay the third owner \$150,000 for his share in the business and that they would falsely characterize the buyout payment as a “loan” to that person. By characterizing the payment as a loan, Fabietti admitted that the two owners, along with his’s assistance, enabled the third individual to evade payment of taxes on the payment.

Furthermore, Fabietti admitted that in 2004 he again assisted the two individuals to purchase a forth person’s interest in the business. Once again, in consultation with Fabietti, the owners

falsely characterized the buyout payment as a loan to the fourth individual in the amount of \$165,000.

The charge of conspiracy to defraud the United States carries a maximum statutory penalty of 5 years in prison and fine of \$250,000.

Fishman credited Special Agents with IRS's Mays Landing and Trenton Posts of Duty, under the direction of Special Agent in Charge William P. Offord, for the ongoing investigation of the case.

The government is represented by U.S. Attorney Jason M. Richardson of the Criminal Division in Camden.

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Defense Attorney: Rocco C. Cipparone, Esq. Haddon Heights