

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
 :
 v. : Crim. No. 21-
 :
 JASON KRONICK : 26 U.S.C. § 7201

INDICTMENT

The Grand Jury in and for the District of New Jersey, sitting at Newark,
charges:

COUNT ONE

(Personal Income Tax Evasion– Tax Year 2008)

BACKGROUND

1. At all times relevant to this Indictment:
 - a. Defendant Jason Kronick (“Kronick”) was a resident of Bergen County, New Jersey.
 - b. The Internal Revenue Service (“IRS”) was an agency of the United States Department of the Treasury, responsible for administering and enforcing the tax laws of the United States and collecting the taxes that were due and owing to the Treasury of the United States by its citizens and residents.
 - c. The tax laws of the United States required every citizen and resident of the United States who received income in excess of the minimum filing amount established by law for a particular tax year to make and file annually a U.S. Individual Income Tax Return, Form 1040 (a “Personal Tax

Return”), wherein the taxpayer reported items including income, deductions, and tax due and owing.

d. Every S Corporation was required to make and annually file a corporate tax return reporting, among other items, its ordinary or net business income, determined by subtracting the company’s total deductions from its total income. An S Corporation did not incur tax liability for any net business income it may have earned during a given year; instead, each S Corporation was required to allocate its net business income to its shareholders by issuing each shareholder a Schedule K-1, which was an IRS tax form issued annually for an investment in a shareholder’s interests in a company. A Schedule K-1 was used to report each shareholder’s portion of the company’s earnings, losses, deductions, and credits. When a shareholder in an S Corporation received a Schedule K-1, he was required to report the net business income from Schedule K-1 on his Personal Tax Return.

e. Kronick was the sole owner and operator of JK Preferred Holdings; JEM Capital Corporation (“JEM Capital”); JK Preferred Holdings, Inc.; JK Preferred Inc. (“JK Preferred”); JEK Capital Corporation; and Global Capital Markets Advisory Services, Inc. (“Global Capital”) (collectively, the “Kronick Businesses”), all of which purportedly engaged in the business of high-risk bond trading. All of the Kronick Businesses were S Corporations.

f. Kronick controlled numerous bank accounts in the names of the Kronick Businesses (the “Business Bank Accounts”).

Kronick's 2008 Tax Liability

2. Through the operation of the Kronick Businesses, Kronick received wage income of approximately \$3,173,930 for tax year 2008, which was deposited into the Business Bank Accounts.

3. On or about October 19, 2009, Kronick submitted to the IRS a Personal Tax Return for tax year 2008, reporting a tax liability of \$938,483, federal income tax withholdings of \$799,857, and a tax due and owing of \$138,626, which Kronick paid, along with interest and penalties.

4. The IRS subsequently disallowed certain personal expenses that Kronick had improperly reported as deductions on his 2008 Personal Tax Return. Accordingly, in or about December 2012, the IRS assessed an additional tax due and owing for tax year 2008 in the amount of approximately \$71,516.04, including interest.

5. Kronick subsequently paid approximately \$30,000 to the IRS toward his 2008 tax debt.

6. Kronick willfully failed to pay the IRS the remaining income tax due of approximately \$41,586.04.

7. As of June 29, 2021, Kronick's income tax due for tax year 2008, including interest and penalties, totaled approximately \$71,880.51, with penalties and interest continuing to accrue.

Kronick's Affirmative Acts to Conceal his Income and Assets

8. From in or about December 2008 through at least in or about October 2017, Kronick took affirmative acts to conceal income and assets from the IRS for the purpose of evading payment of his tax obligations, including but not limited to the following:

Jewelry Purchases

a. From in or about December 2008 through in or about December 2011, Kronick used approximately \$1.5 million from the Business Bank Accounts to purchase approximately 40 rare and expensive watches from a jeweler in Florida (the "Jeweler") to conceal those funds and amass tangible assets that he could later convert to cash. To disguise the fact that he was purchasing the watches, Kronick frequently recorded the payments for the watches in his business records as loans or consulting fees to the Jeweler. However, the Jeweler never performed any consulting services for Kronick or the Kronick Businesses. For example:

i. On or about June 16, 2009, Kronick caused JEM Capital to wire approximately \$35,000 to the Jeweler, recording the payment as "consultant." On or about June 23, 2009, the Jeweler sent Kronick a Rolex watch valued at approximately \$35,000.

ii. On or about July 24, 2009, Kronick caused JK Preferred to wire approximately \$200,000 to the Jeweler, with the notation "1st Quarter Cons." The same day, the Jeweler sent Kronick a Rolex watch valued at approximately \$200,000.

iii. On or about July 29, 2009, Kronick caused JK Preferred to wire approximately \$200,000 to the Jeweler, with the notation "2nd Quarter Cons." On or about October 2, 2009, the Jeweler shipped to Kronick eight Rolex watches valued at a total of approximately \$182,000.

iv. On or about April 26, 2010, Kronick caused JEM Capital to wire approximately \$510,000 to the Jeweler.

v. From in or about May 2010 through in or about August 2010, the Jeweler sent Kronick three Rolex watches valued at a total of approximately \$180,000.

vi. On or about August 17, 2010, Kronick caused JEM Capital to wire approximately \$158,000 to the Jeweler.

vii. On or about September 14, 2010, Kronick caused JEM Capital to wire approximately \$215,750 to the Jeweler.

viii. From in or about October 2010 through in or about December 2010, the Jeweler sent Kronick four Patek Philippe watches valued at a total of approximately \$496,500.

ix. In or about August 2011, the Jeweler sent Kronick five Rolex watches valued at a total of approximately \$60,000 and a Patek Philippe watch valued at approximately \$116,000.

Use of Business Accounts for Personal Expenses

b. From in or about November 2010 through at least in or about March 2012, Kronick attempted to conceal taxable income by using the Business Bank Accounts to pay various personal expenses, including, among others,

payments for renovations on real estate that he owned and personal credit card bills. For example:

i. On or about December 31, 2009, Kronick purchased a property in or around Woodcliff, New Jersey (the "Woodcliff Property") for approximately \$2.2 million.

ii. Between on or about February 1, 2010 and on or about March 22, 2011, Kronick caused JEM Capital to pay at least \$900,000 to a home-decorating business for services at the Woodcliff Property. During the same period, Kronick also paid at least \$125,000 to the home-decorating business from his personal bank account.

iii. From on or about July 1, 2010, through on or about August 18, 2011, Kronick caused JEM Capital to pay more than \$1 million to a contractor for renovations to the Woodcliff Property. On or about October 18, 2011, Kronick caused Global Capital to pay the contractor \$25,000 for the same purpose.

iv. On or about August 10, 2010, Kronick caused JEM Capital to pay approximately \$46,000 to a kitchen cabinet vendor. In or about November 2010, Kronick also paid at least \$60,000 to the vendor from his personal bank account.

v. From in or about June 2009 through in or about September 2010, Kronick caused JEM Capital to pay approximately \$482,000 to a credit card company to pay down a balance of a credit account in Kronick's father's name.

vi. From in or about September 2010 through in or about June 2011, Kronick caused JEM Capital to pay at least \$156,000 to a credit card company to pay down a balance of a credit account in his own name.

vii. From in or about September 2011 through in or about May 2012, Kronick caused Global Capital to pay at least \$75,000 to the same credit card company in connection with the account in his own name.

Transfers to Casinos

c. From in or about July 2009 through in or about May 2013, Kronick used checks and wires to transfer more than \$700,000 from the Business Bank Accounts, directly or through intermediaries, to casinos in Pennsylvania, New Jersey, and the Bahamas (collectively, the "Casinos") for the purpose of concealing that income from the IRS. Shortly after each transfer, Kronick withdrew the funds at the Casinos in the form of casino chips. When Kronick finished gambling, he converted the casino chips back into cash. For example:

i. On or about July 29, 2009, Kronick caused JEM Capital to wire approximately \$175,000 to a Casino in the Bahamas (the "Bahamas Casino").

ii. On or about December 28, 2009, Kronick caused JEM Capital to wire approximately \$200,000 to the Bahamas Casino.

iii. On or about March 18, 2011, Kronick caused JEM Capital to wire approximately \$100,000 to a Casino in Atlantic City, New Jersey (the "Atlantic City Casino"). On or about April 21, 2011, Kronick caused JEM

Capital to wire approximately \$60,000 to the Atlantic City Casino. Between April 21 and 22, 2011, Kronick redeemed chips at the Atlantic City Casino for approximately \$190,000 in cash.

iv. On or about June 17, 2011, Kronick caused JEM Capital to wire approximately \$150,000 to the Atlantic City Casino. On or about June 18, 2011, Kronick redeemed chips at the Atlantic City Casino for approximately \$85,000 in cash.

v. On or about September 10, 2012, Kronick caused Global Capital to wire approximately \$14,000 to a Casino in Bethlehem, Pennsylvania (the "Pennsylvania Casino"). On or about September 24, 2012, Kronick redeemed chips at the Pennsylvania Casino for approximately \$33,000 in cash.

vi. On or about November 16, 2012, Kronick caused Global Capital to issue a check to the Pennsylvania Casino for approximately \$90,000. The same day, Kronick redeemed chips at the Pennsylvania Casino for approximately \$164,000 in cash.

Check Cashing

d. From in or about September 2014 through at least in or about October 2017, despite having bank accounts at various financial institutions, Kronick cashed numerous checks, generating approximately \$160,000 in proceeds, at check-cashing businesses in New Jersey, in order to conceal those proceeds from the IRS and thereby evade payment of his taxes due and owing. For example:

i. On or about September 11, 2014, Kronick cashed a check at a check cashing business in New Jersey (the "Check Cashing Business") for approximately \$62,000.

ii. On or about December 17, 2014, Kronick cashed a check at the Check Cashing Business for approximately \$20,000.

iii. Between on or about January 12, 2015 and on or about March 27, 2015, Kronick cashed checks at the Check Cashing Business totaling approximately \$21,000.

iv. Between on or about June 30, 2015 and on or about July 2, 2015, Kronick cashed checks at the Check Cashing Business totaling approximately \$10,000.

v. Between on or about December 26, 2016 and on or about December 29, 2016, Kronick cashed checks at Garden State totaling approximately \$2,200.

vi. Between on or about August 3, 2017 and on or about October 6, 2017, Kronick cashed checks at Garden State totaling approximately \$7,500.

Misrepresentations to the IRS

e. On or about October 24, 2011, Kronick submitted to the IRS a signed IRS Form 433-B ("Collection Information Statement for Businesses") in which he represented that he had no income in 2011. In reality, however, Kronick received more than \$2.8 million in income in 2011.

9. From in or about November 2010 through in or about October 2017, in the District of New Jersey and elsewhere, the defendant,

JASON KRONICK,

did willfully attempt to evade and defeat the payment of the income tax due and owing by him to the United States of America for tax year 2008 by committing the affirmative acts set forth in paragraph 8 above, among others.

In violation of Title 26, United States Code, Section 7201.

COUNT TWO
(Personal Income Tax Evasion – Tax Year 2009)

1. The allegations in paragraphs 1 and 8 of Count One are realleged here.

2. For tax year 2009, Kronick received taxable income of more than \$7 million.

3. On or about October 15, 2010, Kronick filed his Personal Tax Return for tax year 2009, reporting a tax liability of approximately \$2,469,829, federal income tax withheld of \$1,165,670, and excess Social Security tax withheld of \$8,452. The remaining tax due and owing of \$1,295,707 was not paid.

4. On or about November 22, 2010, the IRS notified Kronick of the assessment of penalties and interest for the unpaid tax liability for tax year 2009. The IRS subsequently recovered approximately \$582,981.38 toward that liability.

5. Kronick failed to pay the IRS the remaining income tax balance due for tax year 2009 of approximately \$721,177.62. As of June 29, 2021, Kronick's income tax due for tax year 2009, including interest and penalties, totaled approximately \$998,376.13, with penalties and interest continuing to accrue.

6. In or about 2011, Kronick used several checks drawn on insufficient funds to purportedly make payments to the IRS of taxes due and owing for tax year 2009, as follows:

a. On or about April 22, 2011, Kronick sent the IRS a check for \$100,000 in connection with his 2009 tax liability. The check, which was drawn on Kronick's personal bank account, was dishonored due to insufficient funds.

b. On or about December 28, 2011, Kronick sent the IRS with a check for \$75,000 in connection with his 2009 tax liability. The check, which was drawn on Kronick's personal bank account, was dishonored due to insufficient funds.

7. From in or about November 2010 through in or about October 2017, in the District of New Jersey and elsewhere, the defendant,

JASON KRONICK,

did willfully attempt to evade and defeat the payment of the income tax due and owing by him to the United States of America for tax year 2009 by committing the affirmative acts set forth in paragraph 6 above and paragraph 8 of Count One, among others.

In violation of Title 26, United States Code, Section 7201.

COUNT THREE

(Personal Income Tax Evasion – Tax Year 2010)

1. The allegations in paragraphs 1 and 8 of Count One are realleged here.

2. For tax year 2010, Kronick received taxable income of more than \$9.8 million. Despite that income, Kronick failed to timely file a Personal Tax Return for that tax year.

3. On or about April 9, 2012, the IRS notified Kronick that he had not filed his 2010 Personal Tax Return and that his tax liability for that year was \$3,645,185. The IRS requested that he file a taxable year 2010 return. Kronick neither filed his 2010 Personal Tax Return nor paid his liability.

4. On or about January 5, 2015, the IRS assessed \$3,645,185, plus penalties and interest of \$1,853,392.69. The IRS notified Kronick of that tax liability. Thereafter, Kronick failed to satisfy the tax liability and, instead, engaged in numerous affirmative acts to conceal his income and assets, including the acts described in Paragraph 8 of Count One.

5. Kronick failed to pay the IRS the income tax balance due for tax year 2010. As of June 29, 2021, Kronick's income tax due for tax year 2010, including interest and penalties, totaled approximately \$7,416,301.11, with penalties and interest continuing to accrue.

6. From in or about April 2012 through in or about October 2017, in the District of New Jersey and elsewhere, the defendant,

JASON KRONICK,

did willfully attempt to evade and defeat the payment of the income tax due and

owing by him to the United States of America for tax year 2010 by committing the affirmative acts set forth in paragraph 7 of Count One, among others.

In violation of Title 26, United States Code, Section 7201.

COUNT FOUR
(Employment Tax Evasion – Tax Year 2010)

1. The allegations in paragraphs 1 and 8 of of Count One are realleged here.

2. At all relevant times:

a. Federal income tax withholding (“Withholding Taxes”) and Federal Insurance Contribution Act taxes (“FICA Taxes”), as more particularly described below, constituted employment taxes (“Employment Taxes”).

i. Withholding Taxes: In general, an employer had to deduct and withhold income tax on the amount of wages that actually or constructively were paid to its employees and pay over those withholding taxes to the IRS.

ii. FICA Taxes: The FICA Tax was comprised of two elements: old age, survivor and disability insurance, which was commonly referred to as “Social Security,” and health insurance, which was commonly referred to as “Medicare.” Social Security taxes were used to fund retirement and disability benefits, while Medicare taxes were used to provide health and medical benefits for the aged and disabled. An employer had to deduct FICA taxes on the amount of wages that actually or constructively were paid to its employees, and pay over those FICA taxes to the IRS. The employee portion of FICA taxes, along with federal Withholding Taxes, were collectively referred to as “Trust Fund Taxes.”

b. The IRS required certain employers to report Employment Taxes on an Employer's Annual Federal Tax Return, Form 944 ("Form 944") and to pay over Employment Taxes to the IRS in full by the date of the Form 944.

c. Section 7501 of the Internal Revenue Code provided that whenever any person was required to withhold or collect any internal revenue tax from any other person and to pay over such tax to the United States, the amount of tax so withheld or collected was to be held in trust on behalf of the United States.

3. On or about March 14, 2011, JEM Capital filed a Form 944 for tax year 2010, reporting Employment Taxes owed of \$411,076.40. JEM Capital subsequently made payments toward that liability totaling approximately \$269,830.39. Neither JEM Capital nor Kronick ever paid over to the IRS the remaining \$141,246.01 in outstanding 2010 Employment Taxes, on which penalties and interest continued to accrue.

4. On or about June 4, 2012, the IRS assessed a \$141,246.01 penalty against Kronick individually for the unpaid 2010 Employment Taxes owed by JEM Capital, not including fees and interest. The IRS notified Kronick of that penalty assessment.

5. Kronick failed to pay the penalty assessment. As of June 29, 2021, Kronick's Employment Tax penalty due for tax year 2010, including fees, interest, and penalties, totaled \$199,111.41, with penalties and interest continuing to accrue.

6. From on or about June 4, 2012 through in or about October 2017, in the District of New Jersey and elsewhere, the defendant,

JASON KRONICK,

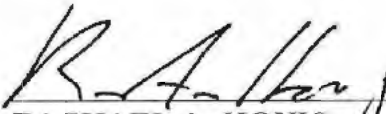
did willfully attempt to evade and defeat the payment of the Employment Tax penalty due and owing by him to the United States of America for tax year 2010 by committing the affirmative acts set forth in paragraph 7 of Count One, among others.

In violation of Title 26, United States Code, Section 7201.

A TRUE BILL

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FOREPERSON


RACHAEL A. HONIG
ACTING UNITED STATES ATTORNEY

CASE NUMBER: _____

**United States District Court
District of New Jersey**

UNITED STATES OF AMERICA

v.

JASON KRONICK

INDICTMENT FOR

26 U.S.C. § 7201

A True Bill,



Foreperson

RACHAEL A. HONIG
ACTING UNITED STATES ATTORNEY
FOR THE DISTRICT OF NEW JERSEY

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