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BRIDGE PAINTING CONTRACTOR PLEADS GUILTY TO TAX EVASION

Evaded \$1,234,009 in Taxes;
Also Made 97 Cash Withdrawals of \$9,000 to Conceal Income

Baltimore, Maryland - Athanasios Reglas, age 57, of Edgemere, Maryland, pleaded guilty today to tax evasion and structuring of financial transactions to avoid reporting requirements, announced United States Attorney for the District of Maryland Rod J. Rosenstein.

U.S. Attorney Rod Rosenstein said, "Cases such as this one should remind people to file truthful tax returns and reassure honest taxpayers that anyone who defrauds the IRS faces criminal prosecution and a lengthy sentence in federal prison."

According to the plea agreement, Reglas owned and operated Reglas Painting Company, Inc., one of the largest bridge painting contractors for the Maryland State Highway Administration. For tax years 1999 and 2002, Reglas used the names and bank accounts of two fictitious companies he created to bill the Reglas Painting Company for subcontracting work that was never performed. Reglas spent the money he fraudulently obtained from the Reglas Painting Company on personal expenses and to generate cash. For example, Reglas used Reglas Painting Company funds to build his vacation home in Ocean City. In 2002 Reglas purchased a waterfront lot for \$400,000. The purchase was preceded by a withdrawal of \$300,000 from a money market account owned by the Reglas Painting Company and a withdrawal of \$110,000 from the account of one of the shell companies. To finance the construction of the home on the lot, checks totaling more than \$418,000 were written from the Reglas Painting Company operating account.

Tax Evasion

Reglas did not declare any of the Reglas Painting Company funds that he diverted to his own personal use on his personal tax returns for tax years 1999 and 2002-2004. Consequently, Reglas's personal income tax returns for those years underreported his taxable income by \$1,807,735, which resulted in additional taxes due of \$658,018.

By making the payments to the shell companies and construction company appear as though they were legitimate subcontractor expenses of the Reglas Painting Company, Reglas caused the payments, totaling \$1,664,083, to be deducted as costs of goods sold on the corporate returns he filed on behalf of Reglas Painting Company for tax years 2000 through 2004. The deduction of the fraudulent expenses resulted in Reglas Painting Company

underreporting its net taxable income, thereby resulting in additional corporate taxes due of \$575,991.

In sum, the total amount of taxes evaded for the period of 1999 through 2004, both personal and corporate, was approximately \$1,234,009.

Structuring Financial Transactions to Avoid Reporting Requirements

After transferring funds from the Reglas Painting Company's operating account to bank accounts established in the name of the shell companies, Reglas transferred the funds to various personal bank accounts from which he then structured withdrawals of cash in order to conceal the amount of income he was actually receiving from his business. Reglas did this by making cash withdrawals of \$9,000 from these accounts on 97 occasions from 1999 through 2003, in an effort to cause the banks not to file currency transaction reports, which are required for cash withdrawals of \$10,000 or more. The total amount of cash involved in the structuring scheme was \$873,000.

On April 26, 2005, the IRS and Department of Transportation, Office of Inspector General searched Reglas's home and business, and seized numerous documents and approximately \$358,000 in cash. Reglas has agreed to forfeit this cash to the United States.

Reglas faces a maximum sentence of 10 years in prison followed by 3 years of supervised release and a \$500,000 fine for structuring financial transactions; and five years in prison followed by 3 years of supervised release and a \$250,000 fine for tax evasion. U.S. District Judge J. Frederick Motz has scheduled sentencing for July 11, 2007 at 9:00 a.m.

United States Attorney Rod J. Rosenstein praised the investigative work performed by the Internal Revenue Service - Criminal Investigation and the Department of Transportation, Office of Inspector General. Mr. Rosenstein thanked Assistant U.S. Attorney Marty Clarke, who is prosecuting the case.

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