



U.S. Department of Justice

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FORMER OPERATOR OF LT'S BAR SENTENCED TO FEDERAL PRISON FOR TAX CONSPIRACY

ROCKFORD -- PATRICK J. FITZGERALD, United States Attorney for the Northern District of Illinois, together with JOSE A. GONZALEZ, Acting Special Agent-In-Charge, Criminal Investigations, Internal Revenue Service, today announced:

Today, United States District Court Judge Philip R. Reinhard sentenced **THOMAS PRIOLA**, 40, Rockford, to 1 year and 1 day in federal prison to be followed by 2 years on supervised release. Judge Reinhard also ordered Priola to pay a \$6,000 fine. Priola was convicted of conspiring with his father, Philip M. Priola, the former owner of LT's Bar and Grill, and his sister, Lynnann Priola Gage, between 1992 and 1998 to defraud the IRS out of income, F.I.C.A., Medicare, and employer taxes, by skimming hundreds of thousands of dollars of the bar's receipts and submitting false tax returns which failed to report the receipts. Priola had pleaded guilty to the charge on September 29, 2004.

In pleading guilty, Thomas Priola admitted that he, his sister, and his father had secretly skimmed receipts of L.T.'s Bar, a bar located at 1011 South Alpine Road, Rockford, Illinois. According to his plea agreement, they filed state sales tax returns and federal income tax returns for L.T.'s Bar that did not report the skimmed receipts as income. Thomas Priola further admitted that they secretly took substantial amounts of the cash and did not declare the cash as their own income. Priola also admitted to using some of the skimmed receipts to pay employees of L.T.'s Bar their wages in cash and filed employer's tax returns for L.T.'s Bar with the IRS that did not include the cash wages or pay over F.I.C.A., Medicare, and employer taxes that were due. He admitted to secretly maintaining a second set of books that recorded the skimmed receipts and cash wages.

Lynnann Gage and Philip Priola are both scheduled to be sentenced by Judge Reinhard on December 23, 2004. The case was investigated by Special Agents of Criminal Investigations of the Internal Revenue Service, and is being prosecuted in United States District Court by Assistant United States Attorney JOHN G. McKENZIE.

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