

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA)
)
 v.)
)
 CHARLES MUSTO,)
)
 Defendant.)
 _____)

No. 3:16-cr-90

26 U.S.C. § 7206(1) (2 counts)

26 U.S.C. § 7212(a) (1 count)

FILED
SCRANTON
JUN 21 2016
PEM
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SUPERSEDING INDICTMENT

THE GRAND JURY CHARGES THAT:

INTRODUCTION

At times material to this indictment:

1. CHARLES MUSTO was a periodontist, residing in Forty Fort, Pennsylvania, located in the Middle District of Pennsylvania.
2. CHARLES MUSTO operated his periodontal practice, Charles Musto DMD, as a sole proprietorship in Forty Fort, Pennsylvania.
3. CHARLES MUSTO owned various commercial and residential rental real estate properties ("Real Estate Entities") in the Middle District of Pennsylvania.
4. The Internal Revenue Service ("IRS") was an agency within the United States Department of the Treasury responsible for administering and enforcing the tax laws regarding the ascertainment, computation, assessment, and collection of taxes owed to the United States by its citizens and businesses.
5. A U.S. Individual Income Tax Return, Form 1040 ("Form 1040"), was an income tax return filed with the IRS by citizens and residents of the United States that reported, among

other things, income and deductions to determine the amount of tax owed or the amount to be refunded to the taxpayer.

6. A Schedule C (Form 1040), Profit or Loss from Business (Sole Proprietorship) ("Schedule C"), was an IRS form that was attached to a Form 1040, when applicable, and was used by taxpayers to report gross receipts, expenses, and profit or loss from a business operated by the taxpayer as a sole proprietorship. CHARLES MUSTO reported income and expenses of his periodontal practice on Schedules C, which were attached to his joint individual income tax returns.

7. A Schedule E (Form 1040), Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) ("Schedule E"), was an IRS form that was attached to a Form 1040, when applicable, and was used by taxpayers to report, among other things, income or loss from rental real estate. CHARLES MUSTO reported income and expenses from some of his Real Estate Entities on Schedules E, which were attached to his joint individual income tax returns.

8. In or about March 2012, the IRS notified CHARLES MUSTO that it was auditing his 2010 Form 1040.

COUNT ONE

(26 U.S.C. § 7206(1) – Filing False Tax Return)

9. Paragraphs 1 through 7 of this Indictment are realleged and reincorporated herein.

10. On or about April 12, 2010, in the Middle District of Pennsylvania, CHARLES MUSTO, a resident of Forty Fort, Pennsylvania, did willfully make and subscribe a joint U.S. Individual Income Tax Return, for the calendar year 2009, which was verified by a written declaration that it was made under the penalties of perjury and which he did not believe to be

true and correct as to every material matter. That income tax return, which was prepared and signed in the Middle District of Pennsylvania, and was filed with the Internal Revenue Service, was false in the following ways, among others: (1) it reported gross receipts in the amount of \$1,504,970 on line 1 of the attached Schedule C, and (2) it reported business income of \$587,330 on line 12 of the Form 1040, whereas, as he then and there well knew he received gross receipts and business income in excess of the amounts stated in the return.

(In violation of 26 U.S.C. § 7206(1).)

COUNT TWO

(26 U.S.C. § 7206(1) – Filing False Tax Return)

11. Paragraphs 1 through 7 of this Indictment are realleged and reincorporated herein.

12. On or about April 14, 2011, in the Middle District of Pennsylvania, CHARLES MUSTO, a resident of Forty Fort, Pennsylvania, did willfully make and subscribe a joint U.S. Individual Income Tax Return, for the calendar year 2010, which was verified by a written declaration that it was made under the penalties of perjury and which he did not believe to be true and correct as to every material matter. That income tax return, which was prepared and signed in the Middle District of Pennsylvania, and was filed with the Internal Revenue Service, was false in the following ways, among others: (1) it reported gross receipts in the amount of \$1,343,389 on line 1 of the attached Schedule C, and (2) it reported business income of \$547,173 on line 12 of the Form 1040, whereas, as he then and there well knew he received gross receipts and business income in excess of the amounts stated in the return.

(In violation of 26 U.S.C. § 7206(1).)

COUNT THREE

(26 U.S.C. § 7212(a) – Corrupt Endeavor to Obstruct and Impede
the Due Administration of the Internal Revenue Laws)

13. Paragraphs 1 through 8 of this Indictment are realleged and reincorporated herein.

14. Beginning in or around 2008 and continuing thereafter up to and including on or before April 15, 2012, in the Middle District of Pennsylvania and elsewhere, the defendant, CHARLES MUSTO, did corruptly endeavor to obstruct and impede the due administration of the internal revenue laws by the following means, among others:

- a. Concealing his income by using multiple bank accounts at multiple banks to deposit and cause to be deposited gross receipts of the periodontal practice;
- b. Concealing gross receipts of the periodontal practice from his accountant by causing his accountant to be provided with books and records that only reflected deposits that were made in the business bank account, and did not include any business deposits diverted into his many other bank accounts;
- c. Concealing his income by using multiple bank accounts to deposit and cause to be deposited business income from certain Real Estate Entities;
- d. Concealing income from certain Real Estate Entities from his accountant by causing his accountant to be provided with books and records that only reflected deposits that were made in the Real Estate Entities' bank accounts, and did not include any real estate deposits diverted into his many other accounts;

- e. Causing his bookkeeper to falsely classify personal expenditures as business expenses in the books and records of the periodontal practice;
- f. Causing his bookkeeper to falsely classify personal expenditures as business expenses in the books and records of the Real Estate Entities;
- g. Providing and causing to be provided to his accountant books and records that disguised personal expenditures as business expenses of the periodontal practice;
- h. Providing and causing to be provided to his accountant books and records that disguised personal expenditures as business expenses of certain Real Estate Entities;
- i. Signing, causing the preparation of, and causing the filing with the IRS of his false joint individual income tax return, Forms 1040, for the calendar year 2008, which underreported gross receipts of his periodontal practice;
- j. Signing, causing the preparation of, and causing the filing with the IRS of his false joint individual income tax return, Forms 1040, for the calendar year 2009, which underreported gross receipts of his periodontal practice;

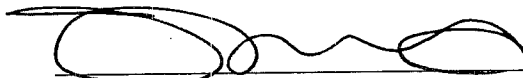
- k. Signing, causing the preparation of, and causing the filing with the IRS of his false joint individual income tax return, Forms 1040, for the calendar year 2010, which underreported gross receipts of his periodontal practice.

(In violation of 26 U.S.C. § 7212(a).)

A TRUE BILL



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