

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA :
 : Criminal No. 18-
 v. :
 : 26 U.S.C. § 7201
RALPH FEDERICO :

INFORMATION

The defendant having waived in open court prosecution by indictment, the United States Attorney for the District of New Jersey charges:

1. At all times relevant to this Information:

a. Defendant RALPH FEDERICO was a resident of Passaic County, New Jersey, and co-owned with his brother, Elio Federico, a restaurant that served Italian cuisine located in Paterson, New Jersey (the "Restaurant"), which had been in business since in or around 1967.

b. The Restaurant operated as an "S Corporation" under Subchapter S of the Internal Revenue Code. For federal income tax purposes, income that the Restaurant generated passed through to Defendant RALPH FEDERICO and Elio Federico. Thus, as owners of the Restaurant, Defendant RALPH FEDERICO and Elio Federico were required to report and pay federal income taxes on the income they received from their ownership of the Restaurant.

c. The Restaurant, meanwhile, remained responsible for paying employment taxes on employee pay, including withholding federal income taxes, paying and reporting Social Security and Medicare taxes, workers' compensation taxes, and unemployment taxes (collectively, "Employment Taxes").

d. Defendant RALPH FEDERICO and Elio Federico were responsible for maintaining the books and records of the Restaurant. And they oversaw all aspects of the Restaurant's business, including paying suppliers, overseeing employees, managing employee payroll, and ensuring that all necessary tax returns on behalf of the Restaurant were filed with the Internal Revenue Service.

e. Defendant RALPH FEDERICO and Elio Federico operated the Restaurant on a cash-only basis; paid a substantial portion of the Restaurant's employee payroll in cash; and paid virtually all of the Restaurant's suppliers in cash.

f. Defendant RALPH FEDERICO and Elio Federico consistently took steps to conceal the true income and business activity of the Restaurant, including: taking a cash "skim" from the Restaurant's gross receipts which they did not report as income; reprogramming the cash register so it would not maintain a balance of gross receipts for the business for more than a few days; and deliberately failing to provide the Restaurant's accountant, who prepared and filed their personal tax returns and

that of the Restaurant, with invoices to reflect the true cost of goods sold and the actual amount of gross income that the business generated.

2. On or about the dates indicated below, Defendant RALPH FEDERICO signed and caused to be filed with the Internal Revenue Service a Form 1040 for tax years 2011 through 2014 on behalf of himself and his wife. For each year listed, these returns declared certain taxable income and certain amounts of tax due and owing. As further reflected for each year below, the tax returns did not report additional taxable income that defendant RALPH FEDERICO received from the Restaurant that calendar year. In each year, with this additional, unreported income from the Restaurant, Defendant RALPH FEDERICO was responsible for the following additional tax amounts due and owing to the United States:

Year & Date Return Filed	Taxable Income Originally Reported	Tax Due on Reported Income	Additional Income Not Reported	Additional Tax Due and Owing
2011- 4/15/2012	\$41,163	\$5,326	\$87,239	\$19,025
2012- 4/15/2013	\$34,290	\$3,864	\$62,621	\$12,411
2013- 4/15/2014	\$41,179	\$5,276	\$111,689	\$24,984
2014- 4/15/2015	\$55,468	\$7,414	\$106,372	\$25,148

3. In total, between 2011 and 2014, Defendant RALPH FEDERICO received approximately \$367,921 in income from the Restaurant that he failed to report to the Internal Revenue Service. This resulted in a total of approximately \$81,568 in additional personal income taxes due and owing to the United States.

4. On or about the dates indicated below, Elio Federico signed and caused to be filed with the Internal Revenue Service a Form 1040 for tax years 2011 through 2014 on behalf of himself and his wife. For each year listed, these returns declared certain taxable income and certain amounts of tax due and owing. As further reflected for each year below, the tax returns did not report additional taxable income that Elio Federico received from the Restaurant that calendar year. In each year, with this additional, unreported income from the Restaurant, Elio Federico was responsible for the following additional tax amounts due and owing to the United States:

Year & Date Return Filed	Taxable Income Originally Reported	Tax Due on Reported Income	Additional Income Not Reported	Additional Tax Due and Owing
2011- 4/15/2012	\$47,068	\$5,994	\$87,239	\$19,689
2012- 4/15/2013	\$19,164	\$1,781	\$62,621	\$11,024
2013- 4/15/2014	\$63,219	\$8,381	\$111,689	\$28,394
2014- 4/15/2015	\$59,366	\$7,759	\$106,372	\$27,104

5. In total, between 2011 and 2014, Elio Federico received approximately \$367,921 in income from the Restaurant that he failed to report to the Internal Revenue Service. This resulted in a total of approximately \$86,211 in additional personal income taxes due and owing to the United States.

6. In addition, as set forth below, Defendant RALPH FEDERICO and Elio Federico, in their capacities as co-owners of the Restaurant, signed and caused to be filed with the Internal Revenue Service a Form 941, an employer's quarterly federal tax return, for each tax quarter from 2011 through 2014 (the "Restaurant Returns"). The Restaurant Returns reported, among other things, the Restaurant's Employment Taxes and employee payroll.

7. As co-owners of the Restaurant, Defendant RALPH FEDERICO and Elio Federico each knew and understood that the Restaurant Returns were filed with the Internal Revenue Service on

their behalf while substantially underreporting the Restaurant's payroll. As a result of this unreported payroll, the Restaurant, and hence Defendant RALPH FEDERICO and Elio Federico, were responsible for the following additional Employment Taxes due and owing on that payroll for calendar years 2011 through 2014:

Quarterly Form 941	Signatory for Form 941 on behalf of the Restaurant	Additional Unreported Cash Payroll Not Reported	Additional Employment Taxes Due and Owing
1 st quarter 2011	Elio Federico	\$30,000	\$4,590
2 nd quarter 2011	Ralph Federico	\$30,000	\$4,590
3 rd quarter 2011	Ralph Federico	\$30,000	\$4,590
4 th quarter 2011	Elio Federico	\$30,000	\$4,590
1 st quarter 2012	Elio Federico	\$30,000	\$4,590
2 nd quarter 2012	Ralph Federico	\$30,000	\$4,590
3 rd quarter 2012	Ralph Federico	\$30,000	\$4,590
4 th quarter 2012	Elio Federico	\$30,000	\$4,590
1 st quarter 2013	Elio Federico	\$30,000	\$4,590
2 nd quarter 2013	Elio Federico	\$30,000	\$4,590
3 rd quarter 2013	Elio Federico	\$30,000	\$4,590
4 th quarter 2013	Ralph Federico	\$30,000	\$4,590
1 st quarter 2014	Elio Federico	\$30,000	\$4,590
2 nd quarter 2014	Elio Federico	\$30,000	\$4,590
3 rd quarter 2014	Elio Federico	\$30,000	\$4,590
4 th quarter 2014	Ralph Federico	\$30,000	\$4,590

8. In total, between 2011 and 2014, the Defendant Ralph Federico and Elio Federico caused the Restaurant to fail to report approximately \$480,000 in cash payroll. This resulted in a total of approximately \$73,440 in additional Employment Taxes due and owing to the United States.

COUNT ONE
(Tax Evasion)

9. The allegations contained in paragraphs one through eight are realleged and incorporated as if fully set forth in this paragraph.

10. On about April 15, 2012, in the District of New Jersey and elsewhere, defendant

RALPH FEDERICO

knowingly and willfully did attempt to evade and defeat a substantial part of the personal income tax due and owing to the United States for tax year 2011 in that he signed, filed, and caused to be filed with the Internal Revenue Service a false and fraudulent 2011 U.S. Individual Income Tax Return on Internal Revenue Form 1040, knowing the return to be false and fraudulent.

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

COUNT TWO
(Tax Evasion)

11. The allegations contained in paragraphs one through eight are realleged and incorporated as if fully set forth in this paragraph.

12. On about April 15, 2013, in the District of New Jersey and elsewhere, defendant

RALPH FEDERICO

knowingly and willfully did attempt to evade and defeat a substantial part of the personal income tax due and owing to the United States for tax year 2012 in that he signed, filed, and caused to be filed with the Internal Revenue Service a false and fraudulent 2012 U.S. Individual Income Tax Return on Internal Revenue Form 1040, knowing the return to be false and fraudulent.

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

COUNT THREE
(Tax Evasion)

13. The allegations contained in paragraphs one through eight are realleged and incorporated as if fully set forth in this paragraph.

14. On or about April 15, 2014, in the District of New Jersey and elsewhere, defendant

RALPH FEDERICO

knowingly and willfully did attempt to evade and defeat a substantial part of the personal income tax due and owing to the United States for tax year 2013 in that he signed, filed, and caused to be filed with the Internal Revenue Service a false and fraudulent 2013 U.S. Individual Income Tax Return on Internal Revenue Form 1040, knowing the return to be false and fraudulent.

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

COUNT FOUR
(Tax Evasion)

15. The allegations contained in paragraphs one through eight are realleged and incorporated as if fully set forth in this paragraph.

16. On or about April 15, 2015, in the District of New Jersey and elsewhere, defendant

RALPH FEDERICO

knowingly and willfully did attempt to evade and defeat a substantial part of the personal income tax due and owing to the United States for tax year 2014 in that he signed, filed, and caused to be filed with the Internal Revenue Service a false and fraudulent 2014 U.S. Individual Income Tax Return on Internal Revenue Form 1040, knowing the return to be false and fraudulent.

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


CRAIG CARPENITO
United States Attorney