



U.S. Department of Justice

*United States Attorney
District of Nevada*

*Daniel G. Bogden
United States Attorney*

*333 Las Vegas Blvd. South
Suite 5000
Las Vegas, NV 89101*

*(702) 388-6336
FAX (702) 388-6296*

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PRESS CONTACTS:
Natalie Collins, Public Affairs Specialist

(702) 388-6508

**LAS VEGAS BUSINESS OWNER ROBERT KAHRE SENTENCED TO 15 YEARS IN PRISON
FOR TAX FRAUD SCHEME**

LAS VEGAS - - Robert Kahre, the owner of six construction-related businesses in Las Vegas who paid employees over \$100 million in cash wages as part of an elaborate scheme to defraud the IRS, was sentenced to over 15 years in prison today, announced Daniel G. Bogden, United States Attorney for the District of Nevada. His sister, Lori Kahre, was sentenced to six years in prison for her role in the conspiracy. Two others, including Kahre's girlfriend and his business consultant, await sentencing tomorrow.

"Citizens who pay their fair share of taxes can rest assured that the Department of Justice will continue to utilize all of its resources to prosecute those who choose to cheat and promote fraud," said John A. DiCicco, Acting Assistant Attorney General of the Justice Department Tax Division. "Those who fly in the face of the tax laws like Robert Kahre and his co-defendants face criminal prosecution and substantial prison sentences, as well as being required to pay their taxes, interest and penalties."

Following an over three-hour sentencing hearing, visiting U.S. District Judge David A. Ezra, of the District of Hawaii, sentenced Robert Kahre to serve 190 months in federal prison, followed by three years of supervised release, and ordered him to pay over \$16 million in restitution to the IRS. Judge Ezra also ordered that Kahre, who has been free on a personal recognizance bond since he was arrested in 2005, be immediately taken into the custody of the U.S. Marshals Service.

"This kind of conduct is simply not acceptable in the United States," said U.S. Attorney Bogden. "Individuals who ignore the federal tax laws by engaging in schemes to defraud in order to enrich themselves at the expense of others, will be prosecuted."

"Tax evasion is not a victimless crime," said IRS Criminal Investigation Chief Eileen Mayer. "We all pay when others swindle the government. Tax evasion and tax fraud of this magnitude and with this degree of trickery, dishonesty and deceit, deserves to be punished. The IRS and Department of Justice remain determined and vigilant in ferreting out such schemes to cheat the honest taxpayers." In August 2009, following a three-month trial, Robert and Lori Kahre, were found guilty of conspiring to defraud the federal government by deceit, craft, trickery and dishonest means for the purpose of impeding the IRS in its collection of income and employment taxes. Robert Kahre was also convicted of 49 counts of failure to collect or pay employment taxes, two counts of attempts to interfere with the administration of IRS laws, four counts of tax evasion, and one count of wire fraud. Lori Kahre was also convicted of two counts of attempts to interfere with the administration of IRS laws, one count of making a false statement to a bank, and seven counts of tax evasion.

Alexander C. Loglia, who served as Robert Kahre's business consultant, was convicted of filing a false income tax return and tax evasion, and is scheduled to be sentenced at 8:30 a.m. tomorrow.

Danille Cline, Robert Kahre's girlfriend, was convicted of attempts to interfere with the administration of IRS laws and wire fraud and is scheduled to be sentenced at 8:30 a.m. tomorrow.

Between 1997 and 2003, Kahre owned and operated six construction businesses in the Las Vegas area: Wright Painting and Drywall, Production Plumbing, Production Air Conditioning, Production Electric, Union Pacific Construction and Sherman Tile and Marble. These businesses employed hundreds of employees, many of them laborers, but the exact number is unknown because of the way in which Robert Kahre operated his businesses. Additionally, Kahre provided a payroll service to approximately 35 other construction contractors, which employed thousands of employees.

Robert and Lori Kahre devised and used a payroll scheme that concealed and disguised the true amount of income received by his employees and the employees of the companies for which he provided payroll

services. Robert Kahre maintained an office at 6270 Kimberly Avenue in Las Vegas where he claimed to pay employees in gold or silver coins, but which were actually immediately exchanged for pre-determined envelopes of cash. The face amount of the coins was one-eighth the amount of pay that the employee actually earned and received in the cash envelope. The defendants told the employees that the income was either not taxable or that they should falsely report their income to the IRS at the face amount of the gold and silver coins.

During the course of the scheme, cash wage payments of at least \$25 million were paid to Robert Kahre's employees and cash payments of approximately \$95 million were paid to the employees of the other contractors. No federal tax withholdings were made from the paychecks, and the wages were not reported to the IRS. The defendants told the employees not to discuss the scheme with any outside agencies. The defendants also took steps to prevent the dissemination of information that might reflect the correct amount of income paid to the employees, such as using false invoices, keeping two sets of books, using false names on payroll records, making false statements on mortgage applications, and using nominees to conceal assets.

In addition to the payroll scheme, Robert Kahre was convicted of evading personal income tax on approximately \$12 million in income for the years 1999 through 2002; Lori Kahre was convicted of evading personal income tax on approximately \$242,882 in income for the years 1998 and 2000 through 2005; and Loglia was convicted of evading personal income tax on approximately \$318,736 in income for the years 1998 through 2003.

The jury found that Robert Kahre took steps to conceal his income for the years 1996 through 2005 by using straw buyers to purchase various pieces of real property, and by placing the properties in the names of Cline, his mother, his sister, and step-father. The jury found that Lori Kahre made false statements to Bank of America to obtain a mortgage for a Las Vegas residence, solely for the purpose of hiding Robert Kahre's asset. The properties include commercial property at 6049 Boulder Highway in Las Vegas; a ranch at 62436 Mink Lane, in Summerville, Oregon; homes at 6385 and 6295 North Grand Canyon Drive in Las Vegas; a home at 5680 Ruffian Road in Las Vegas; and a home at 590 Sugar Leo Circle in St. George, Utah.

The case was investigated by Special Agents with IRS Criminal Investigation, and prosecuted by Assistant United States Attorney J. Gregory Damm and Trial Attorney Christopher Maietta of the U.S. Department of Justice, Tax Division.

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