



Department of Justice

United States Attorney James R. Dedrick Eastern District of Tennessee

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Contact: SHARRY DEDMAN-BEARD

Public Information Officer

865-545-4167

GATLINBURG BUSINESS OWNERS INDICTED ON FEDERAL TAX CHARGES

KNOXVILLE, Tenn – On February 18, 2010, a federal grand jury in Knoxville, Tennessee, returned a superseding indictment against Kevin M. Flannery, 63, Margaret A. Flannery, 61, Keith M. Flannery, 41, all of Gatlinburg, Tennessee, and Melissa A. Flannery, 39, of Sevierville, Tennessee. The Flannerys were charged with one (1) count of conspiracy to impede the lawful government functions of the Internal Revenue Service. The maximum penalty on this count is up to five (5) years imprisonment, up to a \$250,000 fine, a \$100 special assessment and up to three (3) years supervised release. Additionally, Kevin Flannery was charged with three (3) counts of filing false income tax returns, and his wife, Margaret Flannery, was charged with four (4) counts of filing false income tax returns. The maximum penalty on each of these counts is up to three (3) years imprisonment, up to a \$250,000 fine, a \$100 special assessment, and up to one (1) year supervised release.

The Flannerys had an initial appearance today before the Honorable H. Bruce Guyton, United States Magistrate Judge, at the United States Courthouse, Knoxville, Tennessee. The case is set for trial before the Honorable Thomas W. Phillips, United States District Judge, on September 8, 2010.

According to the indictment, from approximately January 1, 2001, until about November 2, 2006, the Flannerys conspired to obstruct or impair the lawful functions of the Internal Revenue Service (IRS). The indictment states that X.M.K.M. Enterprises, Inc., doing business as Famous Fries, and M.K.M.K. Associates, Inc., doing business as Southland Car and Jeep Rental, were both family run businesses operating in Gatlinburg, Tennessee.

The indictment alleges that Kevin, Margaret and Melissa Flannery maintained two sets of books and records for Southland Car and Jeep Rental and Famous Fries. For each business, one set of books contained income schedules of the actual gross income earned by the business, and the other set of books contained fabricated gross income figures, which severely under-reported the business' gross income. The indictment states that the first sets of books were kept at Kevin and Margaret Flannerys' home for their personal use so they would know the true financial condition of the businesses. The second sets of books, which contained false income figures for the businesses, were provided to the defendants' accountants.

The indictment charges that Kevin Flannery filed false corporate income tax returns for M.K.M.K. Associates, Inc., for tax years 2002, 2003, and 2005. Margaret Flannery was charged with filing false corporate income tax returns for X.M.K.M. Enterprises, Inc., for tax years 2002, 2003, 2004 and 2005. The indictment alleges that these corporate tax returns significantly under-reported the corporations' gross receipts or sales in each year.

The public is reminded that an indictment is a form of accusation and is not evidence of guilt. The defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

This investigation was conducted by IRS Criminal Investigation. Assistant U.S. Attorney J. Edgar Schmutzer and Tracy Gostyla and Rebecca Perlmutter of the Department of Justice Tax Division will represent the United States.

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