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Strip Club Owners Convicted Of Tax And Conspiracy Charges After IRS Undercover Operation

A father and two sons who ran two Oregon strip clubs kept two sets of books to short the IRS. Two sets of books are a classic indicator of tax evasion or fraud. When an undercover IRS agent posed as a buyer for the clubs, the owners even revealed the second set of books and how their scam worked. Not surprisingly, a Portland, Oregon jury found the three men guilty of conspiracy to defraud the United States, and guilty of filing false tax returns. David G. Kiraz, his father George D. Kiraz, and David's brother Daniel Kiraz, ran the Cabaret Lounge I and the Cabaret Lounge II.

They were prosecuted over filing false tax returns with the IRS and conspiracy. The jury found David Kiraz guilty of three counts of filing false tax returns. George Kiraz was found guilty of three counts of aiding and assisting in the preparation and filing of false tax returns. Daniel Kiraz was found guilty of one count of aiding and assisting in the preparation and filing of false tax returns.



(AP Photo/Charlie Riedel)

The [evidence at trial](#) showed that from 2007 through mid-2011, the strip clubs collected cash. There were cover charges from customers, and stage fees from dancers. In addition to stage fees, the dancers were routinely required to pay fines for etiquette infractions. The defendants maintained a set of books at the Cabaret clubs which recorded the sales, lottery and ATM fees but not the stage and door fees.

But that wasn't the only set of books. The defendants also kept a *second* set of books, which tracked all of the cash receipts, including stage and door fees. The second set of books was kept at the home of David Kiraz. Prosecutors were after the operation for quite some time, and some of the evidence was pretty compelling. For example, a video played in court showed a 2010 meeting between George Kiraz and an undercover IRS agent. The IRS agent posed as a prospective buyer of the strip clubs. The IRS undercover agent was given a copy of the Kirazes' second set of books, including the stage and door fees.

The business activity of the strip clubs was reported each year on the individual income tax return of David Kiraz. However, the defendants gave their tax return preparers the false financial records maintained at the strip clubs, intentionally causing the return preparers to create tax returns for David Kiraz that did not report substantial amounts of cash obtained through cover charges, stage fees and fines. The under-reporting was substantial.

In fact, prosecutors said the defendants under-reported their income by more than \$1.5 million over the period from 2007 through 2010. The resulting tax loss—which is relevant at sentencing time—was more than \$500,000 over that same period. A sentencing date has not yet been set, but sentences could be substantial. Each defendant faces up to five years in prison for conspiracy to defraud the United States, plus three years in prison on the charges of filing false tax returns and of aiding and assisting in the preparation and filing of false tax returns. They also face supervised release and a maximum fine of \$250,000 on each count.

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