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# Strip Club Owners Sentenced To Prison Based On IRS Undercover Operation

A father and two sons who ran two Oregon strip clubs have been [sentenced to prison](#) on tax charges. They kept two sets of books, 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, explaining how their scam worked. The 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. In May, 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. Now, [the three family members were sentenced to prison](#) for hiding \$1.5 million in income from the IRS and evading more than \$650,000 in income taxes. David Kiraz and George Kiraz were both sentenced to serve 36 months and Daniel Kiraz was sentenced to 12 months and one day in prison.



(AP Photo/Charlie Riedel)

In addition to the prison terms imposed, David Kiraz and George Kiraz were also ordered to serve three years of supervised release and to pay more than \$650,000 in restitution to the IRS and the Oregon Department of Revenue. Daniel Kiraz was ordered to pay more than \$125,000 in restitution. 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 \$650,000 over that same period.

*For alerts to future tax articles, email me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not legal advice.*