



Robert W. Wood

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Mystic Pizza Owner Gets Jail For Tax And IRS Cash Report Crimes

Mystic Pizza was made famous by the [1988 movie starring Julia Roberts](#). Its owner, John Zelepos of North Stonington, Connecticut, has been [sentenced](#) to a year and a day in prison for tax evasion and financial structuring crimes. After that, he will have three years of supervised release. He [plead guilty](#) and his sentence will start October 30. But the sentence is far less than it could have been. Earlier reports suggested that he might face up to [15 years in prison](#).

[Mystic Pizza's website](#) claims that screenwriter Amy Jones chose the shop as the setting for the story of three waitresses. It was truly a 'Slice of Heaven', but not for John Zelepos. His guilty plea admits to evading \$567,435 in taxes. Apart from jail time, Mr. Zelepos agreed to make restitution of \$234,407 for incomplete tax filings dating from 2006 to 2010, and to forfeit an additional \$522,658 that he deposited into his personal accounts. Not only did this lead to tax charges, but to structuring in a manner designed to avoid financial reporting.



The financial structuring charges are becoming more common. They amount to trying to avoid the IRS reports that banks and merchants are required to send whenever they handle cash transactions exceeding \$10,000. The case involves the kind of financial and banking detail that can be very hard to explain once the IRS has it. Mr. Zelepos apparently failed to keep business and personal accounts separate.

In fact, prosecutors showed that he diverted \$567,435 in income from the pizza business into his personal bank accounts. He did the same with family members, sprinkling the cash receipts, presumably to try to avoid detection. From 2006 to 2010, prosecutors claimed that he used his own accounts, his wife's, and those of his three minor children. Sloppy bookkeeping might be excused, but here's where the interaction of tax and structuring charges can get messy, each one adding fuel to the other.

Prosecutors claimed that Mr. Zelepos intentionally structured transactions in amounts from \$3,000 to \$9,998 to prevent banks from filing currency transaction reports. In fact, he engaged in 61 currency transactions totaling \$522,658 in amounts less than \$10,000 from January 5, 2010 through January 24, 2011, authorities said. Knowing that the bank was required to issue a report for each transaction in excess of \$10,000, Mr. Zelepos would

spread out the payments in ways that would not trigger transaction reporting requirements.

The facts got worse too, extending from family to employees. Prosecutors claimed the existence of two 'no-show employees' on Mystic Pizza's books. The idea was to generate wage deductions. But not all employees were happy. In September 2014, Mystic Pizza was ordered to pay 110 employees a total of \$105,000 in compensation for labor violations. Investigators found that workers were paid less than minimum wage and did not receive overtime. Plus, Mr. Zelepos paid cooks, dishwashers, and hosts as little as \$5.69 an hour. Some employees worked up to 93 hours a week with no paid overtime.

As part of his plea agreement, Mr. Zelepos agreed to forfeit \$522,658 of the money he intentionally structured between January 2010 and January 2011. In 2012, IRS Special Agents had already seized \$63,084.49 from a payroll account Mystic Pizza held at Chelsea Groton Bank. Those funds are being applied to the forfeiture, reducing the remaining forfeiture to \$459,573.51. That is no slice of heaven.

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