



United States Attorney's Office District of Connecticut Press Release

May 2, 2008

RHODE ISLAND BUSINESS OWNER PLEADS GUILTY TO FEDERAL TAX CHARGE RELATED TO KICKBACK SCHEME

Nora R. Dannehy, Acting United States Attorney for the District of Connecticut, announced that LOUIS G. XIFARAS, 57, of Bristol, Rhode Island, waived his right to indictment by a grand jury and pleaded guilty today before United States Magistrate Judge Thomas P. Smith in Hartford to one count filing a false income tax return.

According to documents filed with the Court and statements made in court, XIFARAS is the owner and operator of *Innovative Network Solutions* ("INS") of Pawtucket, Rhode Island, a company that provides computer Internet services including server installations. In 1999, an employee of Southwestern Bell Communications ("SBC") approached XIFARAS with a proposal that he would ensure INS received subcontracting work from SBC in exchange for kickbacks being paid to the SBC employee. The method by which the kickbacks were paid to the SBC employee was to put his wife on INS' payroll as a "no-show" employee.

INS is an S Corporation, which means that the company pays no income tax. Rather, the company's income and expenses are reported on the owner's income tax return. In 2002, XIFARAS reported income of \$968,070, deducting \$272,882 that INS paid to the SBC employee's wife. However, kickbacks disguised as salary for a no-show job are not deductible business expenses, so XIFARAS should have reported taxable income of \$1,240,952, not \$968,070.

XIFARAS is scheduled to be sentenced on July 21, 2008, at which time he faces a maximum term of imprisonment of three years and a fine of up to \$100,000. XIFARAS also must cooperate fully with the Internal Revenue Service and pay any and all taxes, interest and penalties owing to the United States for the years 2000 through 2004.

This case was investigated by Internal Revenue Service – Criminal Investigation Division and the Federal Bureau of Investigation. The case is prosecuted by Assistant United States Attorney Calvin B. Kurimai.

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