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**ORIGINAL
FILED**

JUL 23 2004

CLERK, U.S. DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA
BY _____
DEPUTY CLERK

**IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF CALIFORNIA**

UNITED STATES OF AMERICA

Plaintiff,

v.

**WALTER ALLEN "AL" THOMPSON
504 Hanland Court
Redding, California 96003**

**WALTER ALLEN THOMPSON
d/b/a CENCAL AVIATION, CENCAL
SALES COMPANY and CENCAL
AVIATION PRODUCTS
3400 Shasta Gateway Drive, Suite D
Shasta Lake, California 96019**

**DENISE THOMPSON
504 Hanland Court
Redding, California 96003**

**WELLS FARGO HOME MORTGAGE,
INC.
c/o Corporate Services Company
2730 Gateway Oaks Drive, Suite 100
Sacramento, California 95833**

**JP MORGAN CHASE BANK
Trustee c/o GMAC-RFC
2255 North Ontario, Suite 400
Burbank, California 91504**

Defendants.

CIV.S- 04-1476 MCE PAN

Case No.: _____

**COMPLAINT TO REDUCE
FEDERAL TAX ASSESSMENTS
TO JUDGMENT AND TO
FORECLOSE ON REAL
PROPERTY**

1 The United States of America, through counsel, states the following claims against the
2 defendants:

3 1. This is a civil action brought by the United States of America to reduce to
4 judgment the outstanding federal tax assessments made against defendants Walter Allen "Al"
5 Thompson (hereinafter "Al Thompson") and Denise Thompson, and to foreclose federal tax liens
6 against real property.

7 2. This action is brought with the authorization and at the request of the Chief
8 Counsel, Internal Revenue Service, a delegate of the Secretary of the Treasury of the United
9 States, and at the direction of the Attorney General, pursuant to 26 U.S.C. §§ 7401 and 7403.

10 3. This Court has jurisdiction over this action pursuant to 26 U.S.C. §§ 7402 and
11 7403, and 28 U.S.C. §§ 1340 and 1345.

12 4. Venue is proper in the Court pursuant to 28 U.S.C. §§ 1391 and 1396, because the
13 liabilities accrued, the subject property is located, and defendants can be found in this judicial
14 district.

15 5. Defendants Al Thompson and Denise Thompson are husband and wife, and they
16 reside at 504 Hanland Court, Redding, California 95003.

17 6. Wells Fargo Home Mortgage was named as a defendant pursuant to 26 U.S.C. §
18 7403(b) because it purports to hold a deed of trust on the property at issue in this suit.

19 7. JP Morgan Chase Bank was named as a defendant pursuant to 26 U.S.C. §
20 7403(b) because it purports to hold a deed of trust on the property at issue in this suit.

21 **COUNT I - REDUCE INCOME TAX ASSESSMENTS TO JUDGMENT**

22 8. On or about October 15, 1999, Al and Denise Thompson jointly filed a Form 1040
23 federal income tax return for the 1998 tax year showing an amount due of \$16,289.00.

24 9. On November 15, 1999, a delegate of the Department of the Treasury assessed
25 against Al Thompson and Denise Thompson unpaid federal income taxes and an estimated tax
26 penalty for the 1998 tax year in the total amount of \$16,309.00.
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1 10. As of March 15, 2004, the total unpaid assessed income taxes, with assessed and
2 accrued penalties and interest, for the 1998 tax year is \$25,836.95. Despite timely Notice and
3 Demand pursuant to 26 U.S.C. § 6303, Al and Denise Thompson have failed to pay the liability.

4 11. On or about August 27, 2000, Al Thompson and Denise Thompson submitted
5 three Forms 1040X, "Amended U.S. Individual Income Tax Return" for the 1996, 1997, and
6 1998 tax years asserting that the income that they had previously reported as taxable income for
7 those years was not taxable income under the provisions of 26 U.S.C. § 861.

8 12. Each of the Forms 1040X contained information that on its face indicates that the
9 positions asserted by Al and Denise Thompson were substantially incorrect and therefore were
10 frivolous.

11 13. Pursuant to 26 U.S.C. § 6702, a delegate of the Secretary of the Treasury assessed
12 against Al and Denise Thompson a penalty for each of the frivolous Forms 1040X returns
13 referenced above. Details of these assessments and the interest that has accrued on those
14 assessments as of March 15, 2004, are as follows:

Period	Assessment Date	Assessment	Accrued Interest	Balance as of 3/15/04
12/31/96	7/24/00	\$500.00	\$130.82	\$630.82
12/31/97	10/2/00	\$500.00	\$120.06	\$620.06
12/31/98	7/24/00	\$500.00	\$130.82	\$630.82
	TOTAL	\$1,500.00	\$381.70	\$1,884.70

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19 Despite timely Notice and Demand pursuant to 26 U.S.C. § 6303, Al and Denise Thompson have
20 failed to pay these liabilities.

21 14. The unpaid federal income tax and frivolous return penalty liabilities detailed
22 above, with interest and penalties, total \$27,721.65 (\$25,836.95 + \$1,884.70).

23 **COUNT II - REDUCE EMPLOYMENT TAX ASSESSMENTS TO JUDGMENT**

24 15. During the years 2000, 2001, and 2002, Walter Thompson owned and operated a
25 business operating under the names Cencal Aviation, Cencal Aviation Products, and Cencal
26 Sales Company (hereinafter referenced as "Cencal") that manufactured jackets, flight bags, and
27 other accessories for private pilots.
28

1 16. Al Thompson has been featured in articles in the New York Times, an ad in USA
2 Today, and he has appeared on the television program "60 Minutes II." In these forums Walter
3 Thompson has asserted that wages are not taxable.

4 17. A November, 2000 article in the New York Times reports that Al Thompson met
5 with his employees and announced that he would no longer withhold taxes from their paychecks
6 or report to the Internal Revenue Service how much they were paid. On March 2, 2001, an ad in
7 USA Today announced that Al Thompson was one of several employers who had stopped
8 withholding taxes from their worker's paychecks.

9 18. On September 12, 2003, in case number 02-1532-FCD-GGH, the United States
10 District Court for the Eastern District of California ordered Al Thompson to make employment
11 tax deposits and to file timely employment tax returns. In entering the order, the court found the
12 following:

13 Thompson is failing to withhold federal employment taxes from employee wages,
14 to make federal employment tax deposits, to file his employment and
15 unemployment tax returns, and to file and issue wage and tax statements (IRS
16 Forms W-2). He bases his refusal to meet these legal obligations on a patently
frivolous interpretation of the internal revenue laws, known as the § 861
argument, that posits that income earned from sources within the United States is
not subject to taxation.

17 19. Al Thompson, d/b/a Cencal, filed a Form 941, "Employer's Quarterly Federal Tax
18 Return," for the quarter ending September 30, 2000, but failed to file Forms 941 for the
19 remaining quarter in 2000 and for any quarter in 2001 and 2002. He also failed to file Forms
20 940, "Employer's Annual Federal Unemployment (FUTA) Tax Return," for 2000, 2001, and
21 2002.

22 20. Following an examination, a delegate of the Secretary of the Treasury made the
23 following employment tax assessments against Al Thompson, d/b/a Cencal. The table also
24 includes the amount of interest and penalties that has accrued on those assessments as of March
25 15, 2004.

Type of Tax	Tax Period	Assessment Date	Assessment Amount	Accrued Penalty & Interest	Balance as of 3/15/04
941	9/30/00	12/25/00	\$554.84	\$328.21	\$883.05
941	12/31/00	4/2/03	\$49,265.68	\$9,292.36	\$58,558.04
941	3/31/01	4/2/03	\$43,694.86	\$8,002.30	\$51,697.16
941	6/30/01	4/2/03	\$43,072.36	\$7,627.85	\$50,700.21
941	9/30/01	4/2/03	\$42,512.46	\$7,263.19	\$49,775.65
941	12/31/01	4/2/03	\$42,002.60	\$6,884.75	\$48,887.35
941	3/31/02	4/2/03	\$41,587.80	\$6,499.08	\$48,086.88
941	6/30/02	4/2/03	\$41,155.93	\$6,109.85	\$47,265.78
941	9/30/02	4/2/03	\$40,727.66	\$5,716.37	\$46,444.03
941	12/31/02	4/2/03	\$35,855.28	\$5,119.01	\$40,974.29
940	12/31/00	4/2/03	\$24,000.55	\$4,526.65	\$28,527.20
940	12/31/01	4/2/03	\$29,300.16	\$4,802.65	\$34,102.81
940	12/31/02	4/2/03	\$25,015.21	\$3,571.38	\$28,586.59
		TOTALS	\$458,745.39	\$75,743.65	\$534,489.04

Despite timely Notice and Demand pursuant to 26 U.S.C. § 6303, Al Thompson has failed to pay these liabilities.

COUNT III - FORECLOSE FEDERAL TAX LIENS

21. As evidenced by a deed recorded on December 5, 1989, the defendants Al Thompson and Denise Thompson purchased property commonly referenced as 504 Hanland Court, in Redding California and more particularly described as follows:

Lot 7 as shown on the Map of Blue Oak Terrace Subdivision No. 11-86 Unit Three, filed May 10, 1989, the office of the Shasta County Recorder in Book 19 of Maps at page 9.

This property is hereinafter referenced as “the subject property.”

22. By deed recorded on February 17, 1999, defendants Al and Denise Thompson purported to transfer the subject property to “Walter Allen Thompson and Denise Marie Thompson as Trustees of the Thompson Family Trust dated December 28, 1998.”

1 23. Pursuant to 26 U.S.C. §§ 6321, 6322, liens for unpaid federal taxes arose in favor
2 of the United States of America and against all property and rights to property belonging to
3 defendants Al Thompson and Denise Thompson as of the dates of the tax assessments described
4 above.

5 24. The Internal Revenue Service properly filed Notices of Federal Tax Lien
6 regarding the unpaid assessments against defendants Al Thompson and Denise Thompson on or
7 about March 8, 2001, May 25, 2001, and April 29, 2003.

8 25. On December 23, 2003, the Internal Revenue Service properly filed Notices of
9 Federal Tax Lien naming the Thompson Family Trust and Anthony Matthew Thompson d/b/a
10 Cencal as nominees and/or transferees of defendants Al Thompson and Denise Thompson.

11 26. The United States has valid and subsisting liens on the subject property for one or
12 more of the following reasons:

- 13 a. The Thompson Family Trust, currently the holder of legal title, is a
14 revocable, grantor trust, and as such, the United States as creditor can
15 reach the trust's assets to satisfy its claims against the trust's grantors.
- 16 b. The Thompson Family Trust is the nominee of defendants Al Thompson
17 and Denise Thompson.
- 18 c. Defendants Al Thompson and Denise Thompson fraudulently transferred
19 title to the subject property to the Thompson Family Trust.

20 27. The United States is entitled to foreclose its federal tax liens that attach to the
21 subject property.

22 WHEREFORE, the United States of America prays as follows:

23 A. That the Court enter judgment in favor of the United States of America and
24 against Walter Allen "Al" Thompson and Denise Thompson, jointly and severally, in the amount
25 of \$27,721.65, plus accrued interest and penalties from March 15, 2004, and other statutory
26 additions as provided by law;

1 B. That the Court enter judgment in favor of the United States of America and
2 against Walter Allen "Al" Thompson in the amount of \$534,489.04, plus accrued interest and
3 penalties from March 15, 2004, and other statutory additions as provided by law;

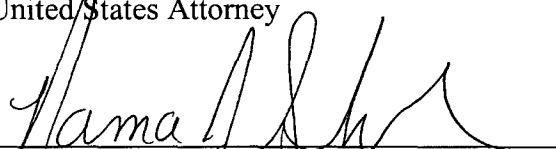
4 C. That the Court determine that the United States has valid and subsisting federal
5 tax liens, by virtue of the assessments set forth above, on all property and rights to property
6 belonging to defendants Walter Allen "Al" Thompson and Denise Thompson, including the
7 subject property;

8 D. That the Court order foreclosure of the federal tax liens on the subject property
9 pursuant to 26 U.S.C. § 7403(c) and 28 U.S.C. § 2001; and that the proceeds be distributed in
10 accordance with the priorities provided by law; and

11 E. That the United States of America be granted such other and further relief as the
12 Court deems just and proper.

13 Respectfully submitted this 26th day of July 2004.

14 MCGREGOR W. SCOTT
15 United States Attorney

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