



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE  
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## **NORTH SLOPE WORKER SENTENCED FOR TAX CRIMES**

Anchorage, Alaska – United States Attorney Karen L. Loeffler announced today that James R. Back, 60, of Soldotna, was sentenced in U.S. District Court in Anchorage. Chief Judge Ralph Beistline sentenced Back to 16 months in prison and a \$10,000 fine, to be followed by one year of supervised release. In addition, Back paid over \$17,000 for the cost of prosecution and paid back taxes in the amount of \$113,286.

During the sentencing, Judge Beistline commented that, “Back wanted all of the privileges and none of the responsibilities of being a citizen.” He called Back’s tax avoidance arguments “senseless,” “frivolous,” and “groundless.”

In October, Back was convicted by a jury on all seven federal tax crimes for which he was charged. Back, who is employed by Alyeska Pipeline Service Company as a pipeline technician at Pump Station One in Prudhoe Bay, was found guilty of filing false 2006, 2007 and 2008 individual income tax returns, and of failure to file his 2009, 2010, 2011 and 2012 returns. Evidence presented at trial showed that Back earned over \$125,000 in wages during each of the prosecution years, yet falsely claimed on the 2006, 2007, and 2008 returns that his wages were zero. For the years 2009-2012, Back simply failed to file.

Other evidence at trial established that Back contributed over \$140,000 to a retirement plan during the prosecution years, had investment accounts worth hundreds of thousands of dollars, owned real estate in the Kenai Peninsula Borough, and purchased over \$400,000 in gold and silver bullion. Back represented himself at the trial, and argued to the jury that taxation was immoral and unfair, and that he simply refused to submit to it anymore. He argued that the Alaska Permanent Fund Dividend was not taxable, even though he applied for and received it each year. He also argued that there was no evidence that state or federal laws applied to him. Back ignored prior warnings from his employer, his supervisor, the IRS, and a United States Tax Court Judge that his arguments were frivolous.

According to witness testimony, Back used a scheme similar to one promoted by Peter Hendrickson of Michigan. Hendrickson operates a website known as “Lost Horizons” and wrote a book called “Cracking the Code” which promotes the “zero wages” tax evasion scheme. According to federal court records, in 1992 Hendrickson was convicted of failure to file tax returns and firebombing a Michigan post office on April 16, 1990, and served 21 months in prison. In 2010, Hendrickson was sentenced to another 33 months in federal prison for tax crimes, including filing false returns and failure to file.

“This sentence should serve as a warning to those who might think there’s a secret recipe to avoid paying their fair share of taxes, taxes that the vast majority of Americans pay each and every year,” said Assistant Special Agent in Charge Steven Bellis, IRS Criminal Investigation. “IRS CI strives to ensure that those paying their honest share can feel confident that the playing field is level. James Back tried to play by his own set of made-up rules. Time and again, the courts have rejected such frivolous arguments. There is no way to opt out of the tax system.”

Ms. Loeffler commends the Internal Revenue Service, Criminal Investigation, for the investigation and prosecution of this case.

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