

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF VIRGINIA
ABINGDON DIVISION

AUG 14 2017

JULIA C. DUDLEY, CLERK
BY: *J. C. Dudley*
DEPUTY CLERK

UNITED STATES OF AMERICA

v.

JEFFERY S. DALTON and
KAREN L. DALTON

:
:
:
:
:
:
:
:
:
:

Case No. 1:17CR24

Violations: 26 U.S.C. § 7201
18 U.S.C. § 371

INDICTMENT

The Grand Jury charges that:

At all times relevant to this Indictment, or as otherwise indicated herein:

1. The defendants, **JEFFERY S. DALTON** and **KAREN L. DALTON**, resided as husband and wife in Hillsville, Virginia, within the Western District of Virginia.

2. Blue Ridge Stainless, Inc. ("BRS") was a subcontracting business that provided labor to renovate large retail department and grocery stores. BRS elected to be treated as an S-Corporation for tax purposes.

3. In general, an S-Corporation does not pay any income tax. Instead, the corporation's income or losses are divided among and passed through to its shareholders. The shareholders must report the income or loss on their own individual income tax returns.

4. The defendants, **JEFFERY S. DALTON** and **KAREN L. DALTON**, co-owned and operated BRS out of their residence in Hillsville, Virginia and were the sole shareholders.

5. The Internal Revenue Service (“IRS”) was and is an agency of the United States Department of the Treasury responsible for administering the tax laws of the United States and for the collection of taxes owed to the United States.

6. Financial institutions that engage in a currency transaction involving more than \$10,000 in U.S. currency were and are required by law to file a report of the transaction, known as a Currency Transaction Report (“CTR”), with the United States Department of the Treasury.

7. For calendar years 2009 through 2014, the defendants, **JEFFERY S. DALTON** and **KAREN L. DALTON**, jointly filed their U.S. Individual Income Tax Returns, Forms 1040, and self-assessed taxes due and owing based on income they earned from BRS. The defendants, however, failed to pay over taxes, penalties, and interest due and owing to the IRS.

8. From 2012 through 2015, the defendants, **JEFFERY S. DALTON** and **KAREN L. DALTON**, corresponded and communicated with an IRS Collections Revenue Officer regarding their outstanding tax liability and impending IRS liens. The defendants nonetheless failed to pay over taxes, penalties, and interest due and owing to the IRS, and affirmatively acted to defeat and evade the payment of taxes owed.

9. After the IRS levied the defendants’ personal bank accounts to collect taxes, penalties, and interest due and owing, the defendants used funds from the BRS business bank account to pay personal expenses, including payments to start a cattle business and payments for their children’s wedding expenses.

COUNT ONE

(Tax Evasion – Calendar Years 2009, 2010, 2011, 2012, 2013, 2014)

10. Paragraphs 1 – 9 are re-alleged and incorporated by reference herein.

11. Beginning in or around October 2010 and continuing to the present, in the Western District of Virginia and elsewhere, defendants **JEFFERY S. DALTON** and **KAREN L. DALTON** did willfully attempt to evade and defeat the payment of a large part of the income tax due and owing by them to the United States of America for the calendar years 2009, 2010, 2011, 2012, 2013, and 2014, by committing the following affirmative acts, among others:

- (a) placing and holding real property in the names of their children and other family members as nominees;
- (b) signing and causing to be filed with the IRS a false IRS Form 433-A, Collection Information Statement for Wage Earners and Self-Employed Individuals; and
- (c) between June 10, 2015 and December 9, 2015, withdrawing over \$250,000 in cash from the BRS business bank account in increments of less than \$10,000 per withdrawal.

All in violation of Title 26, United States Code, Section 7201.

COUNT TWO

(Conspiracy to Structure Currency Transactions)

12. Paragraphs 1 – 6 are re-alleged and incorporated by reference herein.

13. Beginning on or about June 10, 2015, and continuing through at least on or about December 9, 2015, in the Western District of Virginia and elsewhere, the defendants

JEFFERY S. DALTON and **KAREN L. DALTON** did knowingly combine, conspire, confederate, and agree together and with each other for the purpose of evading the reporting requirements established under 31 U.S.C. § 5313(a), and the regulations promulgated thereunder, to cause and attempt to cause a domestic financial institution to fail to file a report required under 31 U.S.C. § 5313(a), and to knowingly structure, attempt to structure, and assist in structuring at a domestic financial institution subject to the reporting requirements of 31 U.S.C. § 5313(a), in violation of 31 U.S.C. §§ 5324(a)(1), (a)(3), (d)(1), and (d)(2), and thereafter performed one or more acts in furtherance of the object of their conspiracy.

Object of the Conspiracy

14. It was the purpose and object of the conspiracy, among others, for the defendants to evade the filing of CTRs by a financial institution in order to conceal assets and defeat the payment of federal income taxes.

Manner and Means

15. Defendants **JEFFERY S. DALTON** and **KAREN L. DALTON** would and did open and caused to be open a business bank account with Grayson National Bank (“GNB”) held in the name of BRS.

16. Defendants **JEFFERY S. DALTON** and **KAREN L. DALTON** would and did withdraw not more than \$10,000 in any single cash withdrawal in an attempt to evade the filing of CTRs by this financial institution.

Overt Acts

17. In furtherance of the conspiracy and to effect the objects thereof, the defendants **JEFFERY S. DALTON** and **KAREN L. DALTON** made and caused to be made cash withdrawals of U.S. Currency from BRS's business bank account ending in x6697 as more fully set forth in the chart below, each subparagraph constituting a separate overt act:

Paragraph	Date	Method of Withdrawal	Made Payable to:	Amount Withdrawn
17-A	06/10/2015	Check No. 9146	Karen Dalton	\$9,500.00
17-B	06/11/2015	Check No. 9148	Karen Dalton	\$9,500.00
17-C	06/12/2015	Check No. 9149	Karen Dalton	\$6,660.00
17-D	06/25/2015	Check No. 9150	Karen Dalton	\$9,500.00
17-E	06/26/2015	Check No. 9151	Jeff Dalton	\$3,500.00
17-F	07/02/2015	Check No. 9154	Karen Dalton	\$9,500.00
17-G	07/02/2015	Check No. 9155	Jeff Dalton	\$9,000.00
17-H	07/13/2015	Check No. 9156	Karen Dalton	\$6,500.00
17-I	07/16/2015	Check No. 9157	Karen Dalton	\$7,500.00
17-J	07/21/2015	Check No. 9158	Karen Dalton	\$9,500.00
17-K	07/22/2015	Check No. 9163	Jeff Dalton	\$1,000.00
17-L	07/24/2015	Check No. 9164	Karen Dalton	\$2,000.00
17-M	07/28/2015	Check No. 9165	Karen Dalton	\$1,500.00
17-N	07/30/2015	Check No. 9169	Karen Dalton	\$9,500.00
17-O	07/31/2015	Check No. 9170	Karen Dalton	\$1,500.00
17-P	08/05/2015	Check No. 9171	Jeff Dalton	\$9,500.00
17-Q	08/05/2015	Check No. 9172	Karen Dalton	\$5,000.00
17-R	08/14/2015	Check No. 9173	Karen Dalton	\$9,500.00
17-S	08/18/2015	Check No. 9176	Karen Dalton	\$1,500.00
17-T	08/21/2015	Check No. 9178	Karen Dalton	\$9,500.00
17-U	08/24/2015	Check No. 9184	Karen Dalton	\$5,000.00
17-V	08/28/2015	Check No. 9187	Karen Dalton	\$8,500.00
17-W	09/04/2015	Check No. 9191	Karen Dalton	\$9,500.00
17-X	09/10/2015	Check No. 9190	Karen Dalton	\$2,500.00
17-Y	09/11/2015	Check No. 9192	Karen Dalton	\$9,500.00
17-Z	09/14/2015	Check No. 9194	Karen Dalton	\$9,500.00

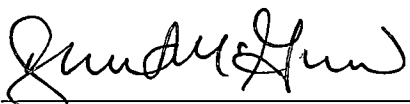
Paragraph	Date	Method of Withdrawal	Made Payable to:	Amount Withdrawn
17-AA	09/21/2015	Check No. 9196	Karen Dalton	\$9,500.00
17-AB	09/22/2015	Check No. 9199	GNB	\$2,510.00
17-AC	09/22/2015	Check No. 9200	Jeff Dalton	\$3,000.00
17-AD	09/25/2015	Check No. 9201	Karen Dalton	\$9,500.00
17-AE	10/02/2015	Check No. 9207	Karen Dalton	\$9,500.00
17-AF	10/09/2015	Check No. 9209	Karen Dalton	\$9,500.00
17-AG	10/16/2015	Check No. 9222	Karen Dalton	\$9,500.00
17-AH	10/26/2015	Check No. 9233	Karen Dalton	\$9,500.00
17-AI	11/05/2015	Check No. 9259	Karen Dalton	\$9,500.00
17-AJ	11/06/2015	Check No. 9262	Jeff Dalton	\$3,000.00
17-AK	11/13/2015	Check No. 9275	Jeff Dalton	\$5,000.00
17-AL	11/13/2015	Check No. 9276	Karen Dalton	\$2,000.00
17-AM	11/23/2015	Check No. 9286	Karen Dalton	\$9,500.00
17-AN	11/24/2015	Check No. 9297	Jeff Dalton	\$4,000.00
17-AO	12/08/2015	Check No. 9313	Jeff Dalton	\$9,500.00
17-AP	12/09/2015	Check No. 9316	Karen Dalton	\$8,200.00

All in violation of Title 18, United States Code, Section 371.

A true bill, this 14th day of August, 2017.

/s/ Grand Jury Foreperson
Grand Jury Foreperson

DAVID A. HUBBERT
ACTING ASSISTANT ATTORNEY GENERAL
U.S. Department of Justice, Tax Division
Attorney for the United States
Acting under Authority Conferred by 28 U.S.C. § 515

By: 
Daniel T. McGraw
Sean P. Beaty
Trial Attorneys
U.S. Department of Justice, Tax Division