

"UNDER SEAL"

FILED
CHARLOTTE, NC
MAY 19 2011
US DISTRICT COURT
WESTERN DISTRICT OF NC

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

UNITED STATES OF AMERICA)

DOCKET NO. 5:11 cr 32

v.)

BILL OF INDICTMENT

CHARLES A. DAVIS)

Violations:

26 U.S.C. § 7206(1) (ten counts)

26 U.S.C. § 7212(a) (one count)

THE GRAND JURY CHARGES:

INTRODUCTION

At the specified times and at all relevant times:

Tax Fraud Scheme

1. From in or about June 1983 through the present, Defendant CHARLES A. DAVIS (Davis) has been employed as a pilot by an international airline carrier headquartered within the United States.
2. For each of the years 1996 through 2008, Davis's employer paid wages to Davis and reported those wages to the Internal Revenue Service (IRS) on IRS Form W-2, Wage and Tax Statement.
3. On or about January 1, 1997, Davis submitted to his employer a Form W-4, Employee's Withholding Allowance Certificate, that falsely claimed that Davis was exempt from the withholding of federal income tax from his wages. Davis attached to this fraudulent Form W-4 a two-page letter dated November 29, 1996, which falsely claimed that Davis was not an "employee" under the internal revenue laws and that he was not liable for federal income tax during the previous year, nor did he expect to be liable in the current or future years.
4. Based on the fraudulent Form W-4, Davis's employer withheld little or no federal income tax from Davis's wages for each of the years 1997 through 2005. During these years, Davis's employer paid him approximately the following amounts of wages and withheld approximately the following amounts of federal income tax:

Year	Wages	Federal Income Tax Withheld
1997	\$189,292	\$4,222
1998	\$162,601	\$0
1999	\$176,181	\$0
2000	\$172,843	\$0
2001	\$185,410	\$0
2002	\$190,510	\$0
2003	\$161,895	\$1
2004	\$146,579	\$0
2005	\$129,950	\$34

5. During years 1997 through at least 2010, Davis sent numerous communications to the IRS falsely denying that he was subject to the internal revenue laws and required to file federal income tax returns and to pay income tax. During this time period, Davis also made numerous filings in Superior Court in Iredell County, North Carolina, in which he made similar claims. On March 31, 1997 and subsequent dates, the IRS sent Davis numerous letters informing him of the frivolous nature of his arguments and requesting that he comply with his tax reporting and payment obligations.
6. In or about calendar year 1999, the IRS initiated examinations of Davis's income tax liabilities for years 1996 and 1997. Subsequently, the IRS examined Davis's tax liabilities for years 1998 through 2000. As a result of the examinations, the IRS sent Davis notices of deficiency or balance due for each of the years 1996 through 2000.
7. Davis never properly responded to the above notices or subsequent notices, but instead sent false documents to the IRS. For example, on or about April 10, 2001, Davis filed an IRS Form 1040A for the year 2000 reporting zero wages for the year.
8. On or about December 14, 2004, after assessing tax liabilities against Davis for years 1996 through 2000, the IRS filed a Notice of Federal Tax Lien in Superior Court in Iredell County, North Carolina. Including interest and penalties, the federal tax lien totaled approximately \$334,830. On December 21, 2004, the IRS sent Davis a letter notifying him of the lien.
9. On or about January 4, 2005, the IRS sent Davis a Final Notice of Intent to Levy for years 1996 through 2000. Including interest and penalties, the notice of levy totaled approximately \$436,051.

10. To attempt to prevent the IRS levy, in March 2005, Davis filed documents with the Iredell County Register of Deeds purporting to transfer title of his personal residence, located in Mooresville, North Carolina, to Cadco Investments, Inc.
11. In or about December 2005, the IRS directed Davis's employer to begin withholding federal income tax from Davis's wages. The IRS notified Davis of this direction by letter sent on or about December 22, 2005.
12. On or about March 13, 2006 and subsequent dates, to collect Davis's unpaid tax liabilities for years 1996 through 2000, the IRS issued notices of levy to Davis's employer and to financial institutions used by Davis.
13. On or about March 27, 2006, Davis filed for bankruptcy to attempt to defeat the IRS levies. On April 10, 2006, Davis filed a voluntary dismissal of the bankruptcy.
14. In or about April 2006, Davis filed five fraudulent Forms 1040X, Amended U.S. Individual Income Tax Returns, for years 1996 through 2000, respectively. The five Forms 1040X fraudulently purported to reduce Davis's adjusted gross income to amounts of less than \$60 and made fraudulent refund claims upon the IRS in amounts ranging from \$6,751 (1998) to \$55,380 (1996).
15. On or about October 2, 2006, the IRS sent Davis a letter informing him that his 2000 Form 1040X was a frivolous return. The IRS offered Davis the opportunity to correct his position and once again informed Davis of the frivolous nature of the argument that there was no legal requirement to file income tax returns or to pay income taxes.
16. From April 2008 to August 2009, Davis filed with the IRS ten fraudulent IRS Forms 1040, U.S. Individual Income Tax Returns, for years 2001 through 2008, including two forms for each of the years 2004 and 2005. The ten Forms 1040 reported fictitious amounts of interest or other income in amounts ranging from \$147,166 (2003) to \$2,337,829 (2007) and fictitious amounts of federal income tax withheld in amounts ranging from \$147,147 (2003) to \$2,371,051 (2007). As a result of the fictitious amounts reported for federal income tax withheld, Davis's ten Forms 1040 made fraudulent refund claims upon the IRS in amounts ranging from \$68,587 (2003) to \$1,526,285 (2007).
17. On or about April 23, 2008, Davis sent or caused to be sent a fictitious "Bonded Promissory Note" in the amount of \$10,000,000, as well as other fraudulent documents, to the Department of Treasury and to the IRS in an attempt to pay his mortgage.
18. On or about June 26, 2008, after the Superior Court for Iredell County issued an order authorizing the foreclosure of Davis's personal residence, Davis sent or caused to be sent a fictitious "Bonded Promissory Note" in the amount of \$5,000,000, as well as other fraudulent documents, to the United States Department of Treasury and other parties. Davis filed for bankruptcy in October 2008 to attempt to prevent eviction. In January 2009, the federal bankruptcy court dismissed Davis's bankruptcy filing.

19. On or about January 8, 2009, Davis submitted fraudulent correspondence to the IRS, including an IRS Form 1040-V, Payment Voucher, and three documents styled "Allonge." The documents purported to make payments to the United States Treasury totaling approximately \$2,259,075, including amounts relating to Davis's outstanding IRS liabilities and an amount of \$147,219 relating to Davis's outstanding tax liability to the State of North Carolina for years 1999 through 2003.
20. On or about February 7, 2009, Davis submitted a fraudulent voucher to the IRS purporting to pay approximately \$1,109,811 to the United States Treasury.
21. On or about February 20, 2009, the IRS informed Davis's employer to resume the levy upon Davis's wages, which had been temporarily suspended during his bankruptcy proceeding in late 2008 and early 2009. To attempt to avoid the levy, Davis, during year 2009 and other years, directed additional contributions to his 401(k) retirement plan to reduce or eliminate his net pay.
22. On or about April 3, 2009, Davis sent fraudulent documents to the IRS, including a fictitious money order for approximately \$1,600,000, which purported to make payment upon Davis's tax liabilities.
23. In October 2009, Davis opened a bank account in the name of "Unlisted-Trust." Davis represented that the bank account was for a corporation and fraudulently supplied a tax identification number that had not been issued by the IRS.
24. From October 2009 to January 2010, to conceal his income and assets from the IRS, Davis deposited the proceeds of numerous paychecks into the Unlisted-Trust account, upon which paychecks his employer had failed to make wage levies.
25. On or about July 16, 2010, Davis sent the IRS fraudulent documents, including fraudulent IRS Forms 1096 and Form 1099-A, that purported to pay the IRS approximately \$181,053, the amount of Davis's outstanding tax liability to the State of North Carolina for years 1999 through 2003.

COUNTS ONE THROUGH FIVE

26 U.S.C. Section 7206(1)

Willfully Filing Materially False Amended Tax Returns

26. Paragraphs 1 through 25 of the Introduction are re-alleged and incorporated herein.
27. That on or about the dates listed in the table below, the defendant, CHARLES A. DAVIS, a resident of Mooresville, North Carolina, did willfully make and subscribe IRS Forms 1040X, Amended U.S. Individual Income Tax Returns, for the years listed below, each of which was verified by a written declaration that it was made under the penalties of perjury and which the defendant did not believe to be true and correct as to every material matter. The IRS Forms 1040X, each of which was prepared and signed in the Western District of North Carolina and which was filed with the IRS, reported a "Correct Amount" of adjusted gross income in the amounts listed below, whereas, as the defendant

then and there knew and believed, his true and correct adjusted gross income was substantially greater than the amount reported as the "Correct Amount."

Count	Year	Date	Line	"Correct Amount" of Adjusted Gross Income
1	1996	April 28, 2006	1	\$52
2	1997	April 28, 2006	1	\$0
3	1998	April 28, 2006	1	\$17
4	1999	April 28, 2006	1	\$0
5	2000	April 28, 2006	1	\$0

All in violation of Title 26, United States Code, Section 7206(1).

COUNTS SIX THROUGH TEN
26 U.S.C. Section 7206(1)
Willfully Filing Materially False Amended Tax Returns

28. Paragraphs 1 through 25 of the Introduction are re-alleged and incorporated herein.
29. That on or about the dates listed in the table below, in the Western District of North Carolina, the defendant, CHARLES A. DAVIS, a resident of Mooresville or Charlotte, North Carolina, did willfully make and subscribe IRS Forms 1040, U.S. Individual Income Tax Returns, for the years listed below, each of which was verified by a written declaration that it was made under the penalties of perjury and which the defendant did not believe to be true and correct as to every material matter. The IRS Forms 1040, each of which was prepared and signed in the Western District of North Carolina and which was filed with the IRS, reported federal income tax withheld in the amounts listed below, whereas, as the defendant then and there knew and believed, the true amount of federal income tax withheld was substantially less than the amount reported.

Count	Year	Date	Line	Federal Income Tax Withheld
6	2004	April 15, 2008	63	\$269,808
7	2005	October 1, 2008	64	\$644,421
8	2006	October 27, 2008	64	\$388,798
9	2007	October 27, 2008	64	\$2,371,051
10	2008	February 20, 2009	62	\$2,326,940

All in violation of Title 26, United States Code, Section 7206(1).

COUNT ELEVEN
26 U.S.C. Section 7212(a)
Corruptly Obstructing and Impeding the IRS

30. Paragraphs 1 through 25 of the Introduction are re-alleged and incorporated herein.
31. From in or about March 2006 through the present, the defendant, CHARLES A. DAVIS, in the Western District of North Carolina and elsewhere, did corruptly endeavor to obstruct and impede the due administration of the internal revenue laws by the following means, among others:
- a. Filing or causing to be filed fraudulent IRS forms, including Forms 1040 and 1040X for years 1996 through 2008;
 - b. Filing for bankruptcy to attempt to defeat IRS levies;
 - c. Sending fictitious documents to the Department of Treasury and the IRS, which purported to discharge his debts to the United States Treasury and other parties;
 - d. Providing false information in connection with the opening of a bank account, including a taxpayer identification number that had not been issued by the IRS; and
 - e. Concealing his assets and income in a nominee bank account.

All in violation of Title 26, United States Code, Section 7212(a).

ANNE TOMPKINS
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