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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

UNITED STATES OF AMERICA)		
)		
	)	No. CR <u>08-206-BR</u>	
)		
- v -	)	SECOND	
	)	SUPERSEDING	
	)	<u>INDICTMENT</u>	
MICAELA RENEE DUTSON and)		
TONY DUTSON,	)	18 U.S.C. § 371	(Conspiracy to defraud
	)		the United States)
Defendants.	)	18 U.S.C. § 514	(Utterance of Fictitious
	)		Obligations)
	)	26 U.S.C. §7203	(Failure to file
	)		tax return)
	)	26 U.S.C. §7206	(Assisting Filing of False
	)		tax return)
	)	26 U.S.C. §7212	(Obstruction of the Due
	)		Administration of the
	)		Internal Revenue Laws)
	)	18 U.S.C. §2	(Aiding and Abetting)

THE GRAND JURY CHARGES:

INTRODUCTORY ALLEGATIONS

At all times relevant to this Indictment:

1. In or about August 1997, defendants MICAELA RENEE DUTSON and TONY DUTSON began marketing abusive tax avoidance programs which had no legitimate purpose and were designed solely to assist people in evading assessment and collection of federal income taxes. Defendants, who were married to one another, initially operated this scheme from their

home and an office in Tigard, Oregon; they later moved to Arizona. MICHAELA RENEE DUTSON and TONY DUTSON marketed their tax avoidance programs through seminars and individual meetings. Between August 1997 and at least October 2005, the defendants MICHAELA RENEE DUTSON and TONY DUTSON collected hundreds of thousands of dollars in fees from “clients” who paid them to help the “clients” hide assets and avoid payment of federal income taxes.

2. The defendants, MICHAELA RENEE DUTSON and TONY DUTSON, sold their abusive tax avoidance programs using various business entities, including “Power Unlimited,” “Diamond Productions International,” and “Watermark Financial.”

3. From in or about August 1997 until at least October 2005, the defendants marketed several different abusive tax avoidance programs, including so-called “trust” programs and a program referred to as the “straw man strategy.” Defendants also advised paying clients how to respond to Internal Revenue Service (“IRS”) notices and efforts to collect income taxes.

4. Defendants marketed so-called “trust” packages consisting of corporations and entities the defendants referred to variously as “irrevocable pure trust organizations” and “irrevocable business trusts” (referred to hereafter simply as “so-called ‘trusts’” or “trusts”). Defendants falsely advised clients that they could legally avoid paying taxes by putting their assets and income into the so-called “trusts” that they sold. Defendants also falsely told clients that by putting their assets and income into the so-called “trusts,” they could legally protect assets from seizure by creditors, including the IRS.

5. Defendants typically charged approximately \$1,500 to \$2,500 to establish each so-called “trust” in a package. Defendants encouraged clients to purchase multiple “trusts” by

telling clients that their assets would be more secure if they were spread over multiple “trusts.” Defendants thus collected thousands and thousands of dollars from most clients for the establishment of these so-called “trusts”.

6. Defendants also charged clients an annual maintenance fee or “trustee fee” for each “trust;” these annual fees were typically approximately \$250 for each “trust.”

7. Defendants structured the so-called “trusts” to ensure that even while assets and income were concealed in multiple “trust” entities, clients would maintain complete control over their assets and income.

8. Defendants falsely informed clients that, by using their “trust” packages, neither the entities in the “trust” packages nor the clients had an obligation to file tax returns. The defendants falsely advised clients that filing federal income tax returns is optional and that in any event, by depositing income and assets into “trust” bank accounts, clients had divested their income and assets to the so-called “trusts.”

9. To conceal clients’ ownership of real estate and vehicles from the IRS, the defendants advised clients to transfer title of real estate and vehicles to the names of “trusts.” To falsely create proof of “trust” ownership, the defendants advised clients to create leases indicating that the clients were leasing assets such as real estate from the “trusts.” The defendants further advised clients to create bogus liens claiming that the clients’ “trusts” had secured interests in the clients’ property, thereby reducing the apparent equity in the property and fraudulently discouraging the IRS from seeking judgments against the property.

10. Defendants told clients that they must not disclose details of their “trusts” to third parties. Indeed, “trust” documents included secrecy requirements that prohibited clients from

disclosing documents, records, or other written information regarding the internal affairs or operations of the “trust,” absent approval of the board of the “trust.”

11. Defendants advised clients to take steps to prevent employers from reporting income payments to clients. For example, defendants directed one client to claim foreign status by filing an IRS form W-8 “Certificate of Foreign Status” with employers.

12. Defendants directed clients to follow elaborate procedures to respond to demands and notices from the IRS. Defendants assured their clients that if they followed these procedures correctly, they would not have to pay the income taxes demanded by the IRS. These procedures included, among other things, sending various documents to the IRS and Secretary of the Treasury. Defendants directed clients to inscribe the documents with specific language which referenced federal statutes. Among other things, defendants told certain clients that to avoid paying taxes on income, they must obtain copies of their birth or naturalization certificates and Social Security cards, inscribe certain language on these documents, and send the documents to the Secretary of the Treasury.

13. Defendants also sold an abusive tax avoidance program referred to as the “straw man,” strategy, which defendants told clients would protect them from tax liability. Specifically, defendants told clients that at birth or naturalization of every citizen, the United States establishes an account in each citizen’s name with an amount of money in this account. Defendants further explained that they could help clients access this account by a complex set of procedures which they referred to as “taking control” of the client’s “straw man.” The procedures included making various filings with the Secretary of the Treasury. Defendants told clients that once a person “took control” of his/her “straw man,” the account could be used to pay

liabilities such as tax obligations. Defendants charged clients thousands of dollars for the “straw man” package, which included direction on how to “take control” of the “straw man.”

14. To win their clients’ confidence, defendants told clients that they had a high level of legal and tax knowledge. Defendant MICAELA RENEE DUTSON was licensed as an attorney in Oregon until January 2002, and the defendants used her status as a lawyer to build trust with their clients. The defendants referred to TONY DUTSON as a paralegal from time to time, and regularly referred to law books and treatises in support of their claims of legitimacy.

15. The defendants each failed to file income tax returns on the income they earned from their promotion of their abusive tax programs.

16. During the life of the conspiracy, the defendants sold clients more than 150 “trusts” and dozens of other abusive tax avoidance products, such as the “straw man.” Through their tax avoidance schemes, defendants helped clients hide millions of dollars in income from the IRS. Defendants’ clients have since been assessed over \$8 million in taxes, interest and penalties due and owing.

COUNT ONE: CONSPIRACY
(18 U.S.C. § 371)

17. The grand jury repeats and re-alleges each of the Introductory Allegations in paragraphs 1 through 16.

OBJECT OF THE CONSPIRACY

18. Beginning on a date unknown to the grand jury, but no later than August 1997, and continuing to a date unknown to the grand jury, but through at least October 2005, in the District of Oregon and elsewhere, defendants MICAELA RENEE DUTSON and TONY

DUTSON, and others known and unknown to the grand jury, unlawfully and knowingly combined, conspired, confederated, and agreed together to defraud the United States by deceitful and dishonest means by impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service (hereinafter "IRS"), an agency of the United States, in the ascertainment, computation, assessment and collection of revenue, that is, federal individual income taxes.

MANNER AND MEANS OF THE CONSPIRACY

19. The defendants MICAELA RENEE DUTSON and TONY DUTSON, and others known and unknown to the grand jury, carried out their conspiracy through the following means:

- a. marketed and sold programs designed to assist people in evading assessment of collection of federal income taxes (hereinafter "programs");
- b. assisted people who purchased their programs in executing the programs;
- c. conducted seminars and individual meetings to market and help people execute their programs;
- d. assisted people who purchased their programs in responding to IRS notices and efforts by the IRS to assess and collect taxes;
- e. assisted people who purchased their programs with filing documents, or filed documents on their behalf, with the IRS and in state court;
- f. used money received from people who purchased their programs to pay for personal expenses of the defendants, and failed to disclose the money received to the IRS by failing to file tax returns;
- g. harassed and encouraged others to harass IRS employees through filing of liens and lawsuits.

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OVERT ACTS

In furtherance of the conspiracy, and to effect the objects thereof, the following overt acts were committed in the District of Oregon, and elsewhere:

Overt Acts Relating to Clients PS and JS

20. On or about September 14, 1998, defendant TONY DUTSON sold PS and JS a so-called "trust" package, including entities named Manpower Unlimited, Planned Investments, True Ventures, Fast Pace Inc. and Park Holdings, for \$5,000.00.

21. On or about November 16, 1998, defendant TONY DUTSON notarized a document that purported to be a mortgage which reflected a debt of \$215,000, owed by JS and PS, to Planned Investments, a so-called "trust" created for PS and JS.

22. In approximately June 2001, defendant TONY DUTSON partially completed and signed a IRS W-8 form, Certificate of Foreign Status, for use by client PS and JS in an effort to hide moneys paid from employers to PS and JS from the IRS.

Overt Acts Relating to Client RN

23. On or about February 3, 1999, defendant MICAELA RENEE DUTSON signed a "Certificate of Units" which purported to establish RN as the owner of units in an entity described as Northwest Holding Company.

24. On or about February 3, 1999, defendant MICAELA RENEE DUTSON signed a document entitled "Independent Contractor Agreement Managers Contract" which purported to establish RN as the "Managing Director" of an entity described as Northwest Holding Company.

25. On or about February 4, 1999, defendants MICAELA RENEE DUTSON and TONY DUTSON sold a so-called "trust" package to RN, including entities named Heritage Land

Company, Northwest Holding Company, Executive Services, Olympic Leasing, Secured Investments and Legacy Holding Company, for \$8,000.00.

26. In approximately April 1999, defendant MICAELA RENEE DUTSON provided a signature stamp in the name of "Micaela Renee, Dutson" to RN for use in writing checks from a "trust" bank account used by RN.

27. On or about January 16, 2001, defendant MICAELA RENEE DUTSON sent RN an invoice seeking payment of \$1500 in "trustee fees" for the programs sold to RN.

28. On or about March 25, 2003, defendant MICAELA RENEE DUTSON sent an email to RN seeking payment of \$1,500.00 in "trustee fees" for the programs sold to RN.

[OVERT ACTS 29-33 DELETED]

Overt Acts Relating to Client JA

34. On or about March 13, 2001, defendant TONY DUTSON sold JA a so-called "trust" package, including entities named Pearl Agency, Echo Leasing, Wintergreen Foundation, Cache Investments, Rosemoor, NW Software Solution Inc., Guardian Holdings Inc, Hybrid Holdings Inc., Steady Investments Inc., NW Harmony Ventures and Lynx Holding Company, for \$7,100.00.

35. On or about December 15, 2003, defendant TONY DUTSON met with JA in Tacoma, Washington, to assist JA in completing documents that TONY DUTSON explained would prevent JA from having to pay income taxes.

36. On or about February 5, 2004, defendant TONY DUTSON sent JA an e-mail advising JA that the "trust" program he had sold JA was "lawful" and assuring JA that "this

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process works if you follow the instructions, it will take care of the problems that you are having with the IRS!”

Overt Act Relating to Clients HC and DC

37. On or about September 19, 1998, defendant TONY DUTSON sold HC and DC a so-called “trust” package, including entities named Associated Contractors Unlimited, Sufficient Investment and World Ventures, for \$5,000.00.

Overt Acts Relating to Client JG

38. On or about January 9, 2002, defendants MICAELA RENEE DUTSON and TONY DUTSON sold JG a so-called “trust” package, including entities named Frost Unlimited, Valley Financial and Parkway Ventures, for \$5,500.00.

39. On or about January 11, 2002, defendant MICAELA RENEE DUTSON faxed JG a request for a certified copy of his birth certificate for use in an effort to avoid payment of income taxes.

40. On or about January 17, 2002, defendant MICAELA RENEE DUTSON instructed JG to record the transfer of ownership of JG’s house from JG to the Frost Unlimited “trust.”

41. On or about May 16, 2002, defendant TONY DUTSON sent JG a “Private Contractor Agreement/Managers Contact” in furtherance of the operation of the “trust” program sold to JG.

Overt Acts Relating to Client VS

42. On or about December 29, 1998, defendant TONY DUTSON sold VS a so-called “trust” package, including entities named Cascade Enterprises, NW Merit, Lynx Technologies and Pioneer Holdings, for \$5,000.00.

43. On or about March 10, 1999, defendant TONY DUTSON conducted a seminar on tax avoidance, attended by VS, in Tigard, Oregon.

44. On or about August 17, 2004, defendant MICAELA RENEE DUTSON sent VS an e-mail requesting that VS obtain a Social Security card for use in an abusive tax avoidance program defendants sold to VS.

45. On or about August 25, 2004, defendant MICAELA RENEE DUTSON sent VS an e-mail directing VS to find a notary public “who thinks out of the box” and “is your friend” to notarize filings and “do a notarial protest process” for use in executing an abusive tax avoidance program defendants sold to VS.

Overt Act Relating to Client NN

46. On or about March 28, 2003, defendants MICAELA RENEE DUTSON and TONY DUTSON sold NN a “straw man” package for \$2,500.00.

Overt Acts Relating to Client HL

47. On or about February 17, 2000, defendants MICAELA RENEE DUTSON and TONY DUTSON sold HL a so-called “trust” package, including entities named Pebble Investments, Pain Management and Rehabilitation Clinic, Quantum Investments, Circle Enterprises, Total Holding Company, and Moonlight Leasing, for \$9,000.00.

48. On or about February 17, 2000, defendant MICAELA RENEE DUTSON signed a document entitled “Independent Contractor Agreement Managers Contract” which purported to establish HL as a “Managing Director” of an entity described as Moonlight Leasing.

49. On or about January 22, 2004, defendants MICAELA RENEE DUTSON and

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TONY DUTSON caused an invoice for \$1,750 in “Trustee” fees and seeking a check “payable to: Micaela Dutson” to be sent to client HL.

50. On or about February 25, 2004, defendants MICAELA RENEE DUTSON and TONY DUTSON caused HL to send them a check payable to “Michaela Dutson,” in the amount \$1,500.00 for “trust” fees.

51. On or about June 15, 2004, defendant MICAELA RENEE DUTSON sent HL an e-mail asking him to identify a notary for use in filing documents related to an abusive tax avoidance program defendants sold to HL.

52. On or about July 6, 2004, defendants MICAELA RENEE DUTSON and TONY DUTSON caused an e-mail to be sent to HL asking him to specify the “amount of money the IRS is asking for” for use in executing an abusive tax avoidance program defendants sold to HL.

53. On or about July 12, 2004, defendant TONY DUTSON sent HL an e-mail telling HL that “We are working on your next step and will send it when it is finished,” in reference to a “step” in the execution of an abusive tax avoidance program defendants sold to HL.

54. On or about October 24, 2005, defendant MICAELA RENEE DUTSON sent HL an e-mail asking him to specify “which years the IRS is asking you about” so that she could use the information in preparing a response related to an abusive tax avoidance program defendants sold to HL.

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

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COUNT TWO: FAILURE TO FILE TAX RETURN
(26 U.S.C. § 7203)

55. The grand jury repeats and re-alleges each of the Introductory Allegations in paragraphs 1 through 16.

56. During the calendar year 2002, in the District of Oregon, defendant MICAELA RENEE DUTSON, a resident of the State of Oregon, had and received sufficient gross income that she was required by law, following the close of the calendar year 2002, and on or before April 15, 2003, to make an income tax return to the IRS within the District of Oregon, or to the IRS Service Center, at Fresno, California, or other proper officer of the United States, stating specifically the items of her gross income and any deductions and credits to which she was entitled; well-knowing and believing all of the foregoing, defendant MICAELA RENEE DUTSON did willfully fail to make an income tax return to the IRS, to the IRS Service Center, or to any other proper officer of the United States.

All in violation of Title 26, United States Code, Section 7203.

COUNT THREE: FAILURE TO FILE TAX RETURN
(26 U.S.C. § 7203)

57. The grand jury repeats and re-alleges each of the Introductory Allegations in paragraphs 1 through 16.

58. During the calendar year 2002, in the District of Oregon, defendant TONY DUTSON, a resident of the State of Oregon, had and received sufficient gross income that he was required by law, following the close of the calendar year 2002, and on or before April 15, 2003, to make an income tax return to the IRS within the District of Oregon, or to the IRS Service Center, at Fresno, California, or other proper officer of the United States, stating

specifically the items of his gross income and any deductions and credits to which he was entitled; well-knowing and believing all of the foregoing, defendant TONY DUTSON did willfully fail to make an income tax return to the IRS, to the IRS Service Center, or to any other proper officer of the United States.

All in violation of Title 26, United States Code, Section 7203.

COUNT FOUR:
OBSTRUCTING THE DUE ADMINISTRATION OF INTERNAL REVENUE LAWS
(26 U.S.C. § 7212; 18 U.S.C. § 2)

59. The grand jury repeats and re-alleges each of the Introductory Allegations in paragraphs 1 through 16.

60. From on or about October 2003 through April 2008, in the District of Oregon and elsewhere, the defendants MICAELA RENEE DUTSON and TONY DUTSON did corruptly endeavor to obstruct the due administration of the internal revenue laws by:

- a. instructing HL to file a lawsuit against an IRS revenue agent and helping HL file the lawsuit in the District of Oregon;
- b. filing a baseless lien with the California Secretary of State against four employees of the IRS, claiming a debt owed of \$1,003,680,000,000.00; and
- c. filing multiple IRS Form 1099-OIDs with the IRS falsely claiming payment of millions of dollars to IRS employees investigating the defendants;

All in violation of Title 26, United States Code, Section 7212(a) and Title 18, United States Code, Section 2.

COUNTS FIVE THROUGH EIGHT: FALSE AND FICTITIOUS INSTRUMENTS
(18 U.S.C. §§ 2 and 514)

61. The grand jury repeats and re-alleges each of the Introductory Allegations in paragraphs 1 through 16.

62. On or about the dates listed below, in the District of Oregon and elsewhere, the defendants MICAELA RENEE DUTSON and TONY DUTSON, with the intent to defraud, did willfully cause and knowingly and intentionally aid, assist, abet, counsel, command, induce and procure clients to pass, utter, present and issue, and attempt to pass, utter, present and issue, false and fictitious instruments, documents and other items appearing, representing, and purporting to be actual securities and financial instruments issued under the authority of the United States and a foreign government, namely, the items identified below, each allegation being a separate count of this Indictment:

Count	Date	Security/Instrument	Payable/Credit To	In the Amount
5	8/5/04	Prepaid Foreign Bill of Exchange Exemption Exchange Item •number 151007 •account xxxxx7410	Department of the Treasury/Internal Revenue Service	\$1,500,000.00
6	2/21/05	Prepaid Exempt Exchange Item •number 110001 •account xxxxx9211	Department of the Treasury/Internal Revenue Service	\$1,000,000.00
7	4/01/05	Prepaid Exempt Exchange Item •number 110002 •account xxxxx9211	Department of the Treasury/Internal Revenue Service	\$111,322.32
8	4/25/05	On Demand Exempt Exchange Item Prepaid Exempt Exchange Item •number 150002 •account xxxxx7410	Department of the Treasury, Internal Revenue Service	\$7,000,000.00

All in violation of Title 18, United States Code, Sections 2 and 514.

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