

**U.S. Department of Justice Press Release
Indictment of Joseph Banister, November 2004**

SACRAMENTO--United States Attorney McGregor W. Scott and IRS Criminal Investigation Special Agent in Charge Roger L. Wirth announced today that a federal grand jury has returned a seventeen-count **indictment** charging JOSEPH BANISTER, 41, of San Jose, California and WALTER A. THOMPSON, 57, of Redding, California with multiple tax crimes.

BANISTER and THOMPSON each are charged with one count of conspiring to defraud the United States by impairing and impeding the Internal Revenue Service with regard to approximately \$259,669 in income and employment taxes during the period of July, 2000 through December 31, 2002. In addition, **BANISTER** is charged with three counts of aiding and assisting the filing of false tax returns for THOMPSON for the 1996, 1997 and 1998 tax years.

In addition to the conspiracy count, THOMPSON is charged with two counts of filing false claims with the IRS, one count of filing a false income tax return with the IRS, and ten counts of willfully failing to collect and pay over approximately \$176,215 in taxes from the wages and salaries of employees.

This case is the product of an extensive investigation by the Internal Revenue Service, Criminal Investigation Special Agents.

According to Assistant United States Attorneys Robert M. Twiss and Carolyn K. Delaney, who are prosecuting the case, the **indictment** alleges that THOMPSON owned and operated Cencal Sales ("CENCAL"), an aviation flight bag manufacturing business located in Shasta Lake, California. CENCAL employed a number of hourly wage workers who were predominantly seamstresses, production managers or office workers.

BANISTER, a Certified Public Accountant ("CPA") and former Special Agent in the Criminal Investigation Division of the Internal Revenue Service, is alleged to have entered into a conspiracy with THOMPSON to remove employees of CENCAL from the taxpayer rolls by no longer withholding employment taxes from wages and salaries, not filing Employer's Quarterly Tax Returns, Form 941, and not providing the employees or the IRS with annual wage or other income statements, Forms W-2 or 1099, as required by law.

The conspiracy count alleges that on July 21, 2000, THOMPSON falsely advised CENCAL employees that the compensation which they received in return for their labor was not "income" within the meaning of the internal revenue laws and that they were not required to pay individual income taxes on the compensation which they received from CENCAL. THOMPSON stopped withholding income and employment taxes from his employees in July of 2000, and stopped filing Employers' Quarterly Tax Returns and Forms W-2 at the same time.

The **indictment** further alleges that there was a second meeting on October 11, 2000 at which THOMPSON and **BANISTER** again falsely advised CENCAL employees that the compensation which they received was not "income" and that they were not required to pay individual income taxes on those wages. **BANISTER** assured the employees of CENCAL that THOMPSON would not lie to them regarding the tax issues.

The **indictment** further alleges that **BANISTER** prepared false Amended Individual Income Tax Returns, Forms 1040X , for THOMPSON and his spouse for 1996, 1997 and 1998. THOMPSON had filed returns for these three years, reporting over \$300,000 in total income for the three years and substantial taxes. The amended returns purported to reduce the amount of income and tax in each year to \$0, and sought refunds of approximately \$65,000 for 1996 and 1997, and to eliminate a tax liability in the amount of \$15,500 for 1998. THOMPSON signed and filed the fraudulent amended returns with the Internal Revenue Service at the Fresno Service Center.

Ten counts of the **indictment** charge THOMPSON with willfully failing to deduct, collect, account for and pay over to the IRS those federal income and employment taxes due on the wages paid to the employees of CENCAL between July 1, 2000 and December 31, 2002.

"The blatant and far-reaching defrauding of honest taxpayers by these two individuals warrants an aggressive federal prosecution. This case should serve as a stark reminder to our citizens that caution should be heeded when approached by those advocating wild theories as to why one does not have to obey federal tax laws," stated United States Attorney Scott.

"Joe Banister, a former IRS agent, knew exactly what he was doing.

Tax professionals and employers who break the law will be held accountable," said IRS Commissioner Mark W. Everson.

According to IRS Criminal Investigation Special Agent in Charge Roger Wirth, "Taxpayers shouldn't be taken in by false descriptions of the law or misrepresentations of the facts. Dozens of taxpayers were adversely affected by the actions of Mr. **Banister** and Mr. Thompson."

If convicted of all counts with which they are charged, the maximum penalty to which defendant **BANISTER** could be sentenced is imprisonment for 14 years and a fine of \$1,000,000. The maximum penalty to which defendant THOMPSON could be sentenced if convicted of all counts is imprisonment for 68 years and a fine of \$3,500,000.

The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.