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**June 30, 2006**

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### **CRIMINAL CONVICTIONS FROM USE OF TRUST SCHEME TO EVADE TAXES**

SACRAMENTO--United States Attorney McGregor W. Scott and IRS Criminal Investigation Special Agent in Charge Roger L. Wirth announced today that CHARLES SIGERSETH (66, formerly owner of Sigerseith Insurance Agency in Sacramento) and CALVIN AVILA (69, from Sacramento) were convicted in federal court today of federal income tax charges related to the filing of SIGERSETH's 1995 and 1996 federal income tax returns. Specifically, both defendants were convicted of conspiracy to defraud the United States in the assessment and collection of taxes, and each defendant was convicted of two counts of tax evasion, with defendant AVILA being convicted of aiding and abetting SIGERSETH concerning SIGERSETH's 1995 and 1996 federal income tax returns. The trial began on June 6, 2006 before United States District Judge William B. Shubb, and ended with the return of verdict today. The jury deliberated approximately four hours. Calvin AVILA was remanded following the verdicts. Defendant SIGERSETH was released under supervision from the Pretrial Services Agency.

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

According to Assistant United States Attorney Richard Bender, who is prosecuting the case, the evidence introduced at trial showed that Charles SIGERSETH attended a seminar put on by a company called "National Trust Services" (NTS) who told SIGERSETH that by putting his business into a "business trust" (to which SIGERSETH purportedly assigned his income) and directing all business profits to a "family trust," he could write off all personal expenses (food, entertainment, house cleaning, house furnishings and maintenance) as business deductions on the family trust returns. Further, he was told, any remaining taxable income could be "set-aside" into a "family foundation" that would purportedly later be donated to charity and that, as a result, the "set-aside" amount constituted a charitable deduction. Mr. SIGERSETH implemented this scheme and used it for his 1993-1997 tax returns, usually paying just 10% of what he actually owed in federal taxes.

At trial the evidence showed that, in fact, the multi-tiered trust scheme failed on multiple legal fronts. First, the assignment of SIGERSETH's right to receive the profits of his insurance business to the family trust were ineffective in shifting his liability for taxes since he was the person who had the right to receive and control the income. Second, placing the family home and other assets into the "family trust" did not magically convert non-deductible personal family expenses into deductible business expenses since legitimate business deductions must be directly

tied to the generation of income. Third, one cannot legitimately receive a charitable deduction for amounts merely "set-aside" for that purpose, particularly when, as here, the funds remained under the sole control of SIGERSETH.

According to the evidence, SIGERSETH's 1993 and 1994 tax returns were audited by the IRS in 1997. SIGERSETH's 1995 and 1996 tax returns were also audited, and he hired codefendant CALVIN AVILA to help him with his disputes with the IRS. AVILA was himself a promoter of these tax evading trust arrangements and convinced SIGERSETH that the NTS trusts were simply poorly drafted. AVILA redrafted the business and family trusts, and appointed himself as trustee. Thereafter, both SIGERSETH and AVILA took the position with the IRS that the trusts were "pure trusts" that were somehow beyond the regulation of, or taxation by, federal and state government. Both defendants were defiant in response to repeated requests for information from the IRS and sent material to the IRS claiming, among other things, that the IRS was not a real government agency, and that the Internal Revenue Code was not valid law since the regulations pertained to the U.S. Bureau of Alcohol, Tobacco and Firearms. They also took steps to make collection of SIGERSETH's 1995 and 1996 tax liability more difficult by opening new bank accounts with false taxpayer I.D. numbers and names not associated with SIGERSETH, and by filing a Tax Court petition for purposes of delay.

According to IRS Criminal Investigation Special Agent in Charge Roger L. Wirth, "This case clearly demonstrates that the IRS will not tolerate promoters of abusive tax schemes or the individuals who use them to evade their taxes. Such promoters put themselves and their clients at serious risk of financial loss, civil penalties and criminal prosecution."

SIGERSETH and AVILA are presently scheduled to be sentenced on September 13, 2006, before Judge Shubb.

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