

# ***NEWS RELEASE***

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## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA San Diego, California***

***United States Attorney  
Carol C. Lam***

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***For Immediate Release***

### **NEWS RELEASE SUMMARY** - March 11, 2004

United States Attorney Carol C. Lam announced that a San Diego chiropractor and her partner were arraigned this afternoon in federal court in San Diego before United States Magistrate Judge Leo Papas on an indictment charging them with conspiracy and four counts of tax evasion. The defendants, Kathryn J. Hanes, 46, owner and operator of the Biophysics Chiropractic Center, and Madonna A. Hanes, 37, posted bond and have been directed to appear before United States District Judge Irma E. Gonzalez on March 15, 2004, for motion setting.

The indictment alleges that Kathryn Hanes and Madonna Hanes conspired to evade taxes from 1996 through 2000 on approximately \$715,000 in income generated by Kathryn Hanes' chiropractic business. The indictment alleges that the defendants conspired to evade and did evade taxes by purportedly forming so-called "tax-exempt" trusts while still managing, directing and enjoying the use of the income and assets purportedly assigned to the trusts. The indictment also alleges that the defendants conspired to create a fictitious nine-digit taxpayer identification number, intended to resemble a valid taxpayer identification number issued by the Internal Revenue Service (IRS), for the purpose of collecting income from patients and

insurance companies. The indictment also alleges that from 1996 to 2000, the defendants transferred more than \$419,000 from a bank account opened in the name of one of these purported “tax-exempt” trusts to an account opened and controlled by defendant Madonna A. Hanes for the purpose of impeding, obstructing and defeating attempts by the IRS to collect income tax. In addition, the indictment alleges that Kathryn A. Hanes failed to file tax returns for the tax years 1996 through 2000.

United States Attorney Lam stated, “Schemes like this harm all law-abiding taxpayers and undermine the integrity of our tax system.” U.S. Attorney Lam praised the efforts of the Internal Revenue Service Criminal Investigation Division Special Agents, who conducted the investigation culminating in today’s indictment.

### **DEFENDANTS**

Kathryn J. Hanes

Madonna A. Hanes

### **SUMMARY OF CHARGES**

Conspiracy, 18 U.S.C. § 371 -- Five years’ imprisonment and a \$250,000 fine (1 count)

Tax Evasion, 26 U.S.C. § 7201, & Aiding and Abetting, 18 U.S.C. § 2 – Five years’ imprisonment and a \$100,000 fine per count (4 counts)

### **INVESTIGATING AGENCY**

Internal Revenue Service - Criminal Investigation

**An indictment itself is not evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.**