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Peter Hendrickson

Background

Peter Eric Hendrickson's work experience is in apartment complex maintenance. See Testimony on direct examination of Larry Bodoh, reproduced in part at docket entry 89, doc. #89-3, *United States v. Hendrickson*, case no. 2:08-cr-20585-GER-DAS, United States District Court for the Eastern District of Michigan (Detroit Div.). The *New York Times* has reported that Hendrickson has experience as a video arcade manager, and as a midlevel executive of a real estate development company.

Theories Advocated/Promoted

Hendrickson believes that the federal government can tax, and has taxed, only [the salaries of government employees](#) and [incomes from the exercise of "federal privileges."](#) He is able to reach these conclusions because he believes that the words "employer," "employee," "wages," and other [words used in the Internal Revenue Code and regulations do not have their common, ordinary meanings](#) but only very narrow legal meanings, and [the word "includes" is restrictive](#).

Hendrickson was found guilty on ten felony counts by a federal court jury in Detroit, Michigan, on October 26, 2009, in connection with his use of his "Cracking the Code" scheme on his own tax returns, and served about two years in prison (from June 29, 2010, to June 13, 2012).

Books, Web Sites, Videos, and Organizations

Hendrickson wrote and sells a book titled *Cracking the Code: The Fascinating Truth about Taxation in America* which purports to "decipher" the "deliberately confusing and misleading construction" of the Internal Revenue Code.

He also owns and operates the "Lost Horizons" web site, <http://www.losthorizons.com>, which promotes his book and his theories.

Court Actions

Convictions for Bombing Conspiracy and Failure to File Federal Income Tax Return

Hendrickson is a two-time loser in federal criminal tax cases. His first loss came in the early 1990s. He was indicted on October 24, 1991, and on March 3, 1992 he pleaded guilty to one count of willfully failing to file an income tax return and one count of conspiracy to place an incendiary device in the United States mail. *United States v. Peter Hendrickson*, No. 2:1991cr80930 (U.S.D.C. E.D. Mich.). Hendrickson was sentenced to 21 months in prison, and was released on 8/25/1993 (register # 15406-039, Bureau of Prisons, U.S. Dep't of Justice).

The conspiracy charge was based on a firebomb put into the mail by a co-conspirator at the United States Post Office in Royal Oak, Michigan, on April 16, 1990, the last day for filing federal income tax returns that year. The bomb went off in the post office, injuring a postal worker and a bystander. Hendrickson was apparently able to get a favorable sentencing recommendation for himself (and get charges dropped against Doreen Marie Wright, his then girlfriend, later wife) by secretly tape-recording one of his co-conspirators and testifying against him. The courts ruled that the tape-recording was Hendrickson's own idea, and not part of any agreement with the United States government, so the secret, warrantless taping did not violate the 4th Amendment. *United States v. Scott Scarborough*, 43 F.3d 1021 (6th Cir. 1994). See also *United States v. Karen Scarborough*, 30 F.3d 135 (6th Cir. 1994) (*per curiam*). In the bomb case, Doreen admitted in court that she had stolen the bomb chemicals from the public school where she worked as a teacher and, when asked in court whether she believed that the placing of the bomb at the Post Office was "wrong," she answered "No." In describing her refusal to cooperate with U.S. Postal Inspectors investigating the bombing, Doreen rejected the suggestion that she had refused to cooperate out of fear of being caught or prosecuted. She stated that her refusal to cooperate was "just a general resistance to working with the Government." Excerpts from Transcript, at V-196 and V-197, *United States v. Scarborough*, no. 93-cr-80218-NGE, U.S. District Court for the Eastern District of Michigan, as quoted in Government's Response to Defendant's Sentencing Memorandum, April 1, 2015, pp. 31-32, entry 123, *United States v. Doreen M. Hendrickson*, case no. 13-cr-20371-VAR-LJM, U.S. District Court for the Eastern District of Michigan.

Bankruptcy

After his release from prison, Hendrickson apparently encountered financial problems. He and his wife filed Chapter 7 bankruptcy on November 4, 1996 (case no. 96-54793, U.S. Bankr. Ct. E.D. Mich.), and they received their bankruptcy discharge on February 18, 1997.

Tax Return Filing History

On his web site, Hendrickson has disclosed that he had a history of sixteen years of non-filing of federal income tax returns prior to the time of his first conviction in 1992. According to information filed by the Department of Justice in Hendrickson's latest criminal case (see below), Hendrickson's contentions regarding the federal income tax have changed over time. After he was released from prison in 1993, Hendrickson allegedly filed tax returns that accurately reported his wages and income, but he altered the jurat (the "under penalty of perjury" language near the signature space) on his tax return to show his disagreement with the income tax on wages. According to the Justice Department, the Internal Revenue Service began refusing to accept Hendrickson's returns beginning with the year 2000 return, as a document with an altered jurat has been held by the courts not to be a valid federal income tax return.

Instead of complying, Hendrickson filed an amended Form 1040 for 2000, and Forms 1040 for 2002 through 2004, on which he claimed that he received "zero" wages, despite the fact that he had received Forms W-2 that accurately stated the wages that he had received.

Similarly, in open court in the early 1990s, Hendrickson stated that he believed that the Supreme Court had held "that wages, salaries, and commissions do not constitute income under the meaning [...] of the Sixteenth Amendment." (Neither the U.S. Supreme Court nor any other federal court has ever made any such ruling.) By contrast, on his web site in May of 2009, Hendrickson stated that the idea that "wages" are not income under the "revenue laws" was a "pitfall" and a "misunderstanding." This latter statement was based on his revised view of the tax law, which includes his theory that the meaning of the term "wage" is limited to compensation received in connection with the exercise of a "federal privilege," and that compensation received in connection with an activity *not* involving the exercises of a "federal privilege" is not a "wage," and is not "income" within the meaning of the U.S. federal income tax law.

Administrative Summonses

After he published *Cracking the Code*, Hendrickson began bragging on his web site, "Lost Horizons," about the refunds that his followers were able to obtain, even publishing copies of refund checks, some of which had names or addresses still visible. In 2004, the IRS issued several summonses to Hendrickson and third-party payors, seeking information about Hendrickson's personal finances and financial transactions involving his Lost Horizons website. The United States initially sought to enforce the summonses against Hendrickson, but then withdrew the summonses and moved for voluntary dismissal of the enforcement petitions without prejudice. *United States v. Peter Hendrickson*, No. 2:04-mc-72323-VAR (U.S.D.C. E.D. Mich. 7/8/2004); *United States v. Peter Hendrickson*, No. 2:04-mc-73591-NGE (U.S.D.C. E.D. Mich. 3/11/2005). Hendrickson filed two petitions to quash summonses issued to PayPal, and the United States withdrew the summonses. *Peter Hendrickson v. United States*, No. 3:04-mc-00177-MMC (U.S.D.C. N.D. Cal. 3/11/2005); *Peter Hendrickson v. United States*, No. 5:04-MC-07023-MMC-JCS (U.S.D.C. N.D. Cal. 3/11/2005). Although Hendrickson has described these voluntary dismissals as victories, it appears the United States withdrew the summonses because it had decided to transfer the investigation of Hendrickson from a civil proceeding to a criminal proceeding, as shown in the 2008 indictment described below.

In 2006, the IRS served new summonses on a number of different banks seeking financial records of Hendrickson's accounts at those banks. Hendrickson filed petitions in federal court to quash the summonses, but every one of his petitions were denied. *Peter E. Hendrickson v. United States*, No. 3:2006mc00008 (U.S.D.C. E.D. Va. 5/8/2006) (petition denied; Capital One Bank ordered to comply with summons); *Peter E. Hendrickson v. United States*, No. 8:2006cv00345 (U.S.D.C. Neb. 10/4/2006) (petition denied); *Peter E. Hendrickson v. United States*, No. 2:2006x 50394 (U.S.D.C. E.D. Mich. 6/2/2006) (petition denied), affirmed, No. 06-1870 (6th Cir. 4/10/2007), rehearing denied, 8/8/2007, cert. denied, No. 07-624 (1/7/2008), rehearing den. (2/25/2008); *Peter E. Hendrickson v. United States*, No. 2:2006x 50396 (U.S.D.C. E.D. Mich. 6/29/2006) (petition denied), affirmed, No. 07-1144 (10/2/2007 6th Cir.), rehearing denied (11/30/2007); *Peter E. Hendrickson v. United States*, No. 5:2006mc80094 (U.S.D.C. N.D. Cal. 7/18/2006) (petition to quash summons directed at EBAY/PayPal denied), affirmed, No. 06-56129 (9th Cir. 8/13/2007).

Erroneous Federal Income Tax Refund Suit

In 2006, the government also filed a civil action against Hendrickson and his wife, requesting a judgment against them for the erroneous refunds issued to them and

an injunction requiring them to file correct tax returns. The government's motion for summary judgment was granted, the court holding that there was no dispute as to any material fact, and the government was entitled to judgment as a matter of law. The court judgment stated: "Because Defendants reported that they had no income, the IRS, unaware that Defendants' report was false, treated the withheld federal taxes as a tax overpayments and applied them on April 15, 2003 to (1) Defendant Doreen Hendrickson's unpaid 2000 tax liability (\$1,699.86); and (2) the outstanding tax balances owed by Defendant Peter Hendrickson for 2001 (\$6,521.11) and 2000 (\$1,931.99). [...] The refunds or credits described above were erroneous within the meaning of IRC § 7405(b). Defendants were not entitled to refunds of federal income taxes for 2002 because their federal income tax liability for that year - \$6,327.00 - exceeded the amount of the federal income taxes withheld from Defendant Peter Hendrickson's wages by his employer (\$5,642.20), which constituted the only tax payments made by Defendants in 2002. Furthermore, Defendants were not entitled to a refund, under any circumstances, of the social security and Medicare taxes that had been withheld from Defendant Peter Hendrickson's wages during 2002." The court ruled that Hendrickson's contentions were "frivolous and false". The court also ordered "that Defendants are prohibited from filing any tax return, amended return, form (including, but not limited to Form 4852 ("Substitute for Form W-2 Wage and Tax Statement, etc.)) or other writing or paper with the IRS that is based on the false and frivolous claims set forth in *Cracking the Code* that only federal, state or local government workers are liable for the payment of federal income tax or subject to the withholding of federal income, social security and Medicare taxes from their wages under the internal revenue laws" and that the defendants must file correct income tax returns for 2002 and 2003. *United States v. Peter Eric Hendrickson*, 2007 WL 2385071, at *3, 100 A.F.T.R.2nd 2007-5395, No. 06-11753 (U.S.D.C. E.D. Mich. 2/26/2007, amended 5/2/2007), affirmed, [No. 07-1510](#) (6th Cir. 6/11/2008) (sanctions of \$4,000 imposed for frivolous appeal), rehearing en banc denied (12/16/2008), cert. den. No. 08-1399 (6/15/2009), rehearing den. (8/17/2009). (This district court decision against Hendrickson is described in the 2/1/2009 update to the IRS publication ["The Truth about Frivolous Tax Arguments"](#).)

On June 10, 2010, the District Court held Peter Hendrickson and his wife, Doreen, to be in contempt for (a) failing to file corrected income tax returns for 2002 and 2003, as previously ordered as part of the judgment in the erroneous refund suit described above, and (b) failing to respond to post-judgment discovery requests by the government, which has been attempting to determine the financial ability of the Hendricksons to pay the judgment against them. The court imposed a penalty of \$100 per day until the corrected income tax returns are filed, and a penalty of \$50 per day until they respond to the discovery requests, and ordered them to be

incarcerated if they do not comply with those orders within 14 days. [United States v. Peter Eric Hendrickson and Doreen M. Hendrickson](#), 2010 TNT 113-16, No. 06-11753 (U.S.D.C. E.D. Mich. 6/10/2010), aff'd, No. 10-1824 (6th Cir. 11/22/2011). Hendrickson and his wife had asked for a stay of the contempt order pending the appeal, but the 6th Circuit denied their requests, leaving the district court free to enforce its contempt order. No. 10-1824 (6th Cir. 6/24/2010). The government received amended returns (and responses to the post-judgment discovery requests) on 6/28/2010, 18 days after the contempt order was entered, and on 8/16/2010 the government moved to reduce the 18 days of sanctions to a judgment against the Hendricksons for \$2,700.

On October 25, 2010, the government filed a new motion for an order directing the Hendricksons to file correct income tax returns for 2002 and 2003 because the returns that the Hendricksons filed in June had "altered jurats," the Hendrickson having written the words "under duress" on top of their signatures, obscuring the signatures, negating the assertion that the returns were filed under penalties of perjury as required by law, and violating the court's previous order that there be "no extraneous material or comments contained on the Form 1040." The returns also had statements attached to the returns that denied the validity of the returns, stating that "Nothing appearing on any document described above is to be taken as an admission of the receipt of any 'income', 'wages' ... or anything else taxable ..." and that "Due to police-state threats, the signatures or even mere provision of on any documents described above/attached hereto are null and void...." No. 06-11753 (10/25/2010). On December 17, 2010, the Court ordered Peter and Doreen Hendrickson "to file valid tax returns, in usable form, that in no way undermine the verity of the returns, by January 7, 2011." The Court also stated: "The Court has already found Defendants in contempt in this matter. [.....] If Defendants fail to file their valid tax returns by January 7, 2011, the Court will find Defendants in further contempt." The government filed a renewed motion for contempt on February 9, 2011, the Hendricksons filed a response to the motion on February 28. The Hendricksons appealed, but the U.S. Court of Appeals for the Sixth Circuit upheld the District Court's civil contempt finding. The Court of Appeals, in its order, noted that the Hendricksons "contended that their constitutional rights would be violated by compliance with the order, because they would be forced to swear to a fact they did not believe was true, and that it would infringe upon their First Amendment right to petition the government for redress of their grievance regarding their tax obligation." The Court stated: "However, we have rejected similar tax protestor arguments and find no merit to them in this case." Order, Nov. 22, 2011, *United States v. Hendrickson*, case no. 10-1824, U.S. Court of Appeals for the Sixth Circuit.

While the civil contempt motion was pending, Doreen Hendrickson, Peter Hendrickson's wife, was indicted for criminal contempt for failing to file corrected returns for 2002 and 2003 and filing a false return for 2008, in violation of the injunction issued against her and her husband. *United States v. Doreen M. Hendrickson*, No. 2:13-cr-20371-VAR-LJM (U.S.D.C. E.D. Mich. 6/7/2013). See additional details below.

Convictions for Filing False Tax Returns and Other Documents

Hendrickson's path to his second set of federal criminal convictions was accelerated in November 2008, when he was arrested by a Special Agent of the Internal Revenue Service. [The United States Attorney for the Eastern District of Michigan announced](#) that Hendrickson was arraigned on November 12, 2008, after an indictment charging him with 10 counts of filing false documents with the Internal Revenue Service. See generally *United States v. Peter Hendrickson*, No. 2:08-cr-20585-DML-DAS (U.S.D.C. E.D. Mich.). According to the indictment, Hendrickson filed false income tax returns (Forms 1040) and false substitutes for wage statements (Forms 4852) for the years 2000, 2002, 2003, 2004, 2005, and 2006 reporting that he had received no wages in those years even though he had in fact received wages in those years. See generally *United States v. Peter Hendrickson*, 2:08-cr-20585-DML-DAS (U.S.D.C. E.D. Mich.) Hendrickson filed motions to dismiss the indictment, arguing that the Government had impermissibly targeted him for prosecution in violation of his First Amendment right to publish his views on the Internal Revenue Code. He also argued that the theory of prosecution pursued in this case impermissibly compelled him to either abandon his honest disagreement with the IRS's interpretation of the Internal Revenue Code or face prosecution for acting in accordance with his divergent view of the Code. He further argued that the indictment should have been dismissed for failure to allege each element of the charged offenses, and that he was not a "person" within the meaning of the statute. The court denied all of those motions. *United States v. Peter Hendrickson*, 664 F. Supp.2d 793, 2009 TNT 195-16 (E.D. Mich. 10/7/2009).

In his trial, Hendrickson testified about his position on the federal income tax. He stated: "...the income tax is an excise tax, it is a specialized tax on privileged related gains. I don't engage in any privileged activities. My work is perfectly common. You know, perfectly common work doesn't have any special characteristics, doesn't gain special benefits, enjoy any special benefits from any government. And it isn't covered in the language of the statutes that apply to this tax." Trial transcript, as quoted in Appellant's Brief, Document 006110722992,

docketed Sept. 1, 2010, *United States v. Peter E. Hendrickson*, case no. 10-1726, U.S. Court of Appeals for the Sixth Circuit.

After a three-day jury trial, Hendrickson was found guilty on October 26, 2009, on all 10 counts. On April 19, 2010, he was sentenced to 33 months in prison, along with one year (originally reported as six years) of supervised release following his incarceration. He was also ordered to pay a \$25,000 fine, and the costs of his prosecution. *Id.*, (4/19/2010). Original reports indicated Hendrickson would also be required to pay about \$30,000 in restitution. However, the government recalculated the restitution amount as \$15,672, and that amount was the amount of restitution eventually ordered by the Court. The trial judge later issued a written opinion denying Hendrickson's motion for acquittal or a new trial. Among other things, the judge rejected Hendrickson's challenges to the instructions given to the jury on the meanings of "wages" and "employee," the court stating that Hendrickson "was not entitled to jury instructions reflecting his own views as to the purported meanings of the terms 'wages' and 'employee' under the Internal Revenue Code" because "the courts have uniformly held that the ordinary remuneration received by privately employed workers qualifies as taxable 'wages' under the Internal Revenue Code." The court also pointed out that the judgment against Hendrickson in the erroneous refund suit described above was an "explicit rejection" of his position. *United States v. Peter Hendrickson*, 2010 TNT 81-15, n. 5, No. 2:08-cr-20585-DML-DAS (U.S.D.C. E.D. Mich. 4/26/2010), [affirmed in part and reversed in part, No. 10-1726 \(6th Cir. 2/8/2012\)](#) (*per curiam*) (conviction affirmed but sentencing vacated and remanded for re-sentencing without two upward departures that the appeals court found to have been improper), cert. den., Sup. Ct. Dkt. No. 11-1345 (6/11/2012).

On June 29, 2010, Hendrickson began serving his sentence at the Federal Correctional Institution at Milan, Michigan, inmate # 15406-039. His original projected release date was November 18, 2012 (which was determined before his sentencing was vacated and remanded by the 6th Circuit).

Hendrickson's re-sentencing had been scheduled for April 11, 2012. However, in early April 2012 the District Court delayed the hearing. The Court disclosed that Peter Hendrickson's brother, attorney Jack Hendrickson (who had served as one of Peter's lawyers at the trial), had reported that Pete had filed a motion with the Court falsely asserting that the motion had been signed and filed by Jack. In an attempt to obtain a new trial, the author of the motion had impugned the trial performance of another lawyer who had defended Peter Hendrickson. Jack Hendrickson apparently informed the Court that his brother Peter (and not Jack himself) was actually the author of the motion — apparently indicating that Jack Hendrickson's electronic signature on the motion (as well as a manual signature on

an accompanying affidavit) had been forged by Peter. Jack Hendrickson also contradicted Peter Hendrickson's claim that the other lawyer had been incompetent during the trial. The Court indicated that Peter Hendrickson's alleged conduct in this matter would be taken into consideration by the Court in the re-sentencing process. However, a memorandum was filed with the Court on behalf of Peter Hendrickson alleging that Jack Hendrickson had made misrepresentations to the Court in this same matter. At a hearing on May 15, 2012, the Court re-sentenced Peter Hendrickson to 27 months in prison. He was released from prison on June 13, 2012.

Drunk Driving and Criminal Contempt Convictions - Doreen Hendrickson

While a civil contempt motion was pending for violating the injunction issued against Peter Hendrickson and his wife, Doreen, in the erroneous refund suit described above, Doreen Hendrickson was indicted for criminal contempt for failing to file corrected returns for 2002 and 2003 and filing a false return (using her husband's *Cracking the Code* scheme) for 2008, in violation of the injunction issued against her and her husband in the erroneous refund suit. *United States v. Doreen M. Hendrickson*, No. 2:13-cr-20371-VAR-LJM (U.S.D.C. E.D. Mich. 6/7/2013). [According to the Department of Justice](#), Doreen was arrested on Friday, June 7, 2013. Her trial beginning October 30, 2013 was declared to be a mistrial. A re-trial was held, and Doreen was convicted on July 25, 2014.

Sentencing had been scheduled for December 10, 2014. However, on December 8, 2014, she filed a motion for a delay in the sentencing to allow her time to retain a new lawyer. On December 9, 2014, the Court granted the delay.

In a post-trial filing, the prosecution noted that Doreen Hendrickson had committed the federal criminal contempt while still on probation for a 2006 state drunk driving conviction in which she had been found to have had a blood alcohol content (BAC) level of 0.30 — over three times the 0.08 level considered to be an intoxicated level in many states. In that incident — consistent with her own previously professed "general resistance to working with the Government" — Doreen was twice Tased for refusing to obey the police officer's instruction to exit her vehicle. See Government's Response to Defendant's Sentencing Memorandum, April 1, 2015, pp. 22-23, entry 123, *United States v. Doreen M. Hendrickson*, case no. 13-cr-20371-VAR-LJM, U.S. District Court for the Eastern District of Michigan.

In the criminal contempt case, Doreen Hendrickson was sentenced on April 9, 2015 to 18 months in prison to be followed by one year of supervised release. She entered the Alderson Federal Prison Camp at Alderson, West Virginia on or about

May 15, 2015, as inmate # 48564-039. Her conviction for criminal contempt was upheld by the U.S. Court of Appeals for the Sixth Circuit. See *United States v. Doreen M. Hendrickson*, case no. 15-1446, 822 F.3d 812, U.S. Court of Appeals for the Sixth Circuit (March 11, 2016). Doreen Hendrickson was released on September 2, 2016. Doreen filed a petition for writ of certiorari with the U.S. Supreme Court, but the Supreme Court denied the petition on October 17, 2016. See *Doreen Hendrickson v. United States*, case no. 16-259, 580 U.S. ____ (Oct. 17, 2016).

Sarah Waltner, one of Hendrickson's followers, has attempted to help Peter and Doreen Hendrickson in some of their court cases. Waltner is not a lawyer. She was present at Ms. Hendrickson's first trial on the criminal contempt charge. Sarah and her husband Steven have also been involved in litigation over their own federal taxes (see below).

Tax Court

On March 26, 2014, Hendrickson and his wife filed a petition with the United States Tax Court, No. 006863-14. The nature of the proceeding is not yet known, but it does not appear to be a collection due process appeal, because those case numbers include an "L," so it is most likely a challenge to a notice of deficiency. The trial is now set for March 27, 2017, at Detroit.

Disciples/Associates/Victims

Civil cases

When the government filed the civil action against Hendrickson and his wife for the erroneous refunds paid to them, the government also filed six similar suits against some of his followers. "[United States Sues Nine in Nationwide Crackdown on Tax-Refund Scam](#)," U.S. Dept. of Justice Press Release (4/13/2006). The other suits were against Sharon K. Artman of Largo, Fla.; Michael J. Dowling of San Diego; Joy M. Ferguson of Henderson, Nev.; Melvin L. Gerstenkorn of Topeka, Kan.; Larry B. Golson and Debra G. Golson of Montgomery, Ala.; and James A. Spitzer of Winter Park, Fla. The government was successful in every case. See, e.g., *United States v. Ferguson*, 2007-1 U.S. Tax Cas. (CCH) par. 50,461 (D. Nev. 2007).

The judgment against James A. Spitzer was affirmed by the 11th Circuit Court of Appeals, and sanctions were imposed for bringing a frivolous appeal. *United States v. James A. Spitzer*, 245 Fed.Appx. 908, 2007 WL 2376783, 2007 TNT 163-5, No.

07-11073 (11th Cir. 8/21/2007), aff'ng No. 06-00479-CV-ORL-22JGG (U.S.D.C. M.D. Fla. 2/13/2007) (erroneous refund of \$16,614 ordered repaid). In a later order, the District Court also ordered Spitzer to pay double attorneys' fees to the United States, in the amount of \$16,285.35, "as a sanction for his frivolous and bad faith defense of the entire case." *Id.*, at Docket #49 (7/25/2007). Spitzer later filed a motion with the District Court to vacate its judgment, claiming that the lower court had lacked subject matter jurisdiction and had ignored his challenge to the constitutionality of the income tax as an unapportioned "direct tax." The District Court summarily denied the motion and the Circuit Court affirmed on appeal on the grounds that Spitzer was simply trying to re-litigate the case he had already lost. *United States v. James A. Spitzer*, 2009 TNT 128-7, No. 08-15824 (11th Cir. 7/7/2009). (A footnote in the opinion notes that the sanctions previously imposed had not yet been paid.)

In the case of Hendrickson acolyte Andrew D. Scott, the United States Tax Court noted that Scott had informed the IRS that he was a follower of Hendrickson's book, *Cracking the Code*. The Court also noted that Scott did not consult with a tax attorney when filing his tax return, and did not check with an attorney on the validity of Hendrickson's arguments. The IRS had warned Scott in writing that Hendrickson's arguments had been repeatedly rejected by the courts. The Tax Court found Scott's arguments — that he was not an "employee," and that he did not earn "wages" — to be "frivolous and false." The Court found Andrew Scott liable for a \$10,031 deficiency in tax. The Court also sustained the IRS determination that Scott was liable for the accuracy-related penalty of \$2,941 under Internal Revenue Code section 6662(a), and imposed a \$20,000 penalty under Internal Revenue Code section 6673 for presenting a frivolous argument. *Andrew D. Scott v. Commissioner*, Docket No. 26392-06, United States Tax Court, Bench Op. (June 4, 2008), aff'd 2009 TNT 213-10, No. 08-4766 (2d Cir. 11/6/2009).

In another case, Joseph Alan Fennell's arguments — that the compensation he received in exchange for non-federally privileged private sector labor was not taxable, and that non-federally privileged private sector labor is not the subject of an excise (the U.S. federal income tax) — were rejected by the United States Tax Court. See *Joseph Alan Fennell v. Commissioner*, Docket No. 26285-07L, United States Tax Court, Order of Dismissal and Decision (June 17, 2008). Fennell appealed his Tax Court loss, but the United States Court of Appeals for the District of Columbia Circuit ruled that the Tax Court correctly determined that Fennell was barred from challenging the existence or amount of his tax liability, and that Fennell's challenges were "frivolous on the merits in any event." *Joseph Alan Fennell v. Commissioner*, no. 08-1314, March 12, 2009, United States Court of Appeals for the District of Columbia Circuit (*per curiam*).

Hendrickson supporter Patrick Michael Mooney is a two-time loser in federal court using the Cracking the Code scam. In 2008 a penalty of \$1,000 under section 6673 was imposed by the Tax Court on Mooney for presenting frivolous arguments in connection with his 2004 tax return. The court rejected his argument that his wages earned from a private employer were not taxable and his argument that the term "employee" was limited to "someone performing the functions of a public office." *Patrick Michael Mooney v. Commissioner*, Docket No. 21647-06, United States Tax Court, Order of Dismissal and Decision (May 5, 2008), *aff'd per curiam*, No. 08-1899 (4th Cir. 1/21/2009). In a second Tax Court case, this one involving Mooney's 2005 income tax return (which was filled in with nothing but zeroes and rejected by the IRS as frivolous), the Tax Court affirmed the IRS determination of a deficiency and also affirmed penalties for failure to pay, failure to make estimated tax payments, and fraudulent failure to file a tax return (Mooney's 2005 "return" having been ruled to be not a valid income tax return), and then imposed \$2,000 in sanctions for frivolous arguments. As a result of the Court's ruling, Mooney owed over \$8,900 in taxes and penalties, plus interest, for the year 2005. *Patrick Michael Mooney v. Commissioner*, T.C. Memo. 2011-35 (Feb. 7, 2011).

In another case, an individual filed his 2005 federal income tax return reporting "zero" for wages, claiming a refund of the taxes withheld from his pay. A section 6702 frivolous penalty of \$500 was imposed by the IRS. In the resulting litigation in the United States Tax Court, the individual argued that he was due the refund because his compensation constituted "earnings for private-sector, non-federally-privileged work" that the individual had performed as an engineer for his employer. The Tax Court ruled that the argument was "frivolous and groundless," and imposed a separate penalty of \$5,000 under section 6673 for engaging in frivolous litigation. *Ragan v. Commissioner*, Docket No. 11966-08L, United States Tax Court, Order and Decision (Feb. 19, 2009).

At least three tax return preparers who relied on *Cracking the Code* have been enjoined from preparing tax returns, the courts holding that the returns were false and frivolous. *United States v. Donald A. Gray*, 2007 U.S. Dist. LEXIS 19833; 99 A.F.T.R.2d (RIA) 1695, 2007 TNT 56-10, No. 1:07-CV-42 (U.S.D.C. W.D. Mich. March 19, 2007); *United States et al. v. Beverly J. Hill et vir. et al.*, 2005 U.S. Dist. LEXIS 38086; 97 A.F.T.R.2d (RIA) 548, 2006 TNT 27-13, No. CV-05-877-PHX (U.S.D.C. Ariz. Dec. 22, 2005); and *United States v. Jeffrey R. Hunn*, No. CV06-1458-PCT-FJM (U.S. Dist. Ct. for the District of Arizona, Aug. 18, 2006).

The Tax Court has approved an IRS determination to proceed with levies against "Warrior Bill Granger" (Hendrickson likes to call his pigeons "warriors") for an income tax deficiency assessed for 2003 and a frivolous return penalty assessed for the tax return that Granger filed for 2002. *William R. Granger v. Commissioner*,

[T.C. Memo 2009-258](#) (petitioner who failed to provide required financial information or properly completed Form 1040 for 2004 was properly denied a face-to-face collection due process hearing). The [Lost Horizons web site contains copies of correspondence regarding Granger's failure to file for 2004 and the frivolous return penalty that could be imposed for what he actually filed](#).

Both the Tax Court and the 5th Circuit Court of Appeals cited the court opinion in Hendrickson's own loss in the erroneous refund action brought by the United States against him (see above) in imposing sanctions against a Hendrickson follower who contested frivolous return penalties that were imposed when he filed CtC-style amended returns. *Adolfo Sandor Montero v. Commissioner*, 2009 TNT 222-17, [No. 09-60381](#) (5th Cir. 5/19/2009), aff'ng No. 023166-07L (U.S.T.C. 10/28/2008) (collection actions affirmed for frivolous return penalties imposed for amended returns for 2003 and 2004; \$20,000 in sanctions imposed for frivolous arguments to the Tax Court). The same taxpayer also had frivolous return penalties imposed for returns for the years 2002, 2005, and 2006. See *Adolfo Sandor Montero v. Commissioner*, No. 13141-09L (U.S.T.C. 9/4/2009) (petition dismissed due to lack of jurisdiction because taxpayer failed to request collection due process hearing).

Hendrickson posted [copies of refund checks to Robert Herriman on his website](#), but Herriman's suit to stop income tax withholding, to obtain an additional refund, and to stop the IRS from levying to collect taxes and frivolous return penalties was dismissed by a federal district court for failure to state a claim for which relief could be granted as to the withholding complaint and for lack of jurisdiction as to the other claims. *Robert Herriman v. United States*, No. 2:08-cv-807-FtM-29DNF (U.S.D.C. M.D. Fla. 12/3/2009) ("Plaintiff is subject to the income tax regulations, and his private wages will be considered income subject to tax collection."), aff'd No. 10-13454 (3/17/2011). The IRS records attached to the government's motion to dismiss show that the taxes that were refunded have been re-assessed, that the IRS has started collection actions against Herriman through levies, and that Herriman's tax returns and requests for collection due process hearings have resulted in penalties for frivolous filings. *Id.*, Docket #19-2.

The "victory" of James Robert Morse was also posted to the [Lost Horizons web site](#), but the "victory" was really just a claimed overpayment of \$2,287.39 for the year 2006 that was not refunded but just applied to taxes still owed for 2003 and 2004. The IRS eventually reviewed their returns and assessed a deficiency of \$1,787 for 2006, which was affirmed by the Tax Court, along with a deficiency and negligence penalty for 2005. *James Robert Morse et ux. v. Commissioner*, [T.C. Memo. 2010-40](#), Nos. 17809-08, 26521-08 (2/25/2010) (describing petitioner's arguments as

"nothing more than sophistry"). According to the Tax Court, the IRS also assessed frivolous return penalties of \$500 against Mr. and Mrs. Morse.

One of Hendrickson's web pages [claimed that "Warrior Couple Thwart An Arrogant IRS Motion For Summary Judgment"](#) when the Tax Court denied the IRS's motion for summary judgment, but the Tax Court ultimately ruled on the merits of the case against the "Warrior Couple," approving the imposition of frivolous return penalties and allowing the IRS to proceed with the collection of the penalties by levy. *James M. Blaga et ux. v. Commissioner*, [T.C. Memo. 2010-170](#), 19391-08L (8/3/2010). Mr. Blaga also had a second case involving a notice of deficiency for 2005, and the Tax Court affirmed a \$11,619 deficiency, along with a \$5,399.80 penalty for fraudulent failure to file under section 6651(f), a \$1,042.72 late payment addition to tax under section 6651(a)(2), and a \$280.17 addition to tax for failure to timely pay estimated taxes. *James Michael Blaga v. Commissioner*, No. 8101-09 (4/13/2010). A motion to vacate was filed by Mr. Blaga on 5/17/2010 and denied on 5/20/2010.

["CtC Warrior" David Nelson](#) lost his refund suit against the United States, the magistrate judge (and district court) holding that "The fact that Northwest is a 'private sector company, which is not owned or operated on behalf of the United States' [citation omitted] is immaterial to the question of whether the remuneration Northwest paid Nelson for his work was 'compensation for services' within the meaning of 26 U.S.C. § 61(a)(1). It clearly was." *Nelson v. United States*, No. 3:08-cv-00508-MCR-EMT (U.S.D.C. N.D. Fla. 12/7/2009), aff'd No. 10-10730 (11th Cir. 8/12/2010) (unpublished) ("We have repeatedly rejected arguments, such as Nelson's, asserting that private sector employment income is not subject to federal taxation."). In a separate case, the United States Tax Court upheld an IRS determination of tax deficiency against Nelson of over \$126,000, plus over \$30,000 in penalties for failure to timely file a valid return, failure to timely pay the tax, presenting frivolous arguments in court, and other penalties. See *Nelson v. Commissioner*, T.C. Memo 2012-232, docket # 21102-10 (08/13/2012).

A refund to Scott Ray Holmes was also posted to the Lost Horizons website for the year 2004, but the IRS eventually determined that his 2004 return was not a valid return and issued a notice of deficiency for that year. Holmes filed a petition with the Tax Court contesting the alleged deficiency, along with alleged deficiencies for 2005 and 2006, and the Tax Court not only confirmed the deficiencies but also imposed the maximum \$25,000 in sanctions for his frivolous arguments. *Scott Ray Holmes v. Commissioner*, [T.C.M. 2011-31](#). The maximum sanction was imposed because it was not Holmes's first visit to the Tax Court, and he had been similarly unsuccessful in [T.C. Memo. 2006-80](#) (deficiencies upheld for 2002 tax year and \$2,000 in sanctions imposed for frivolous arguments), [T.C. Memo. 2010-42](#) (deficiencies upheld for 2003 tax year; \$10,000 in sanctions imposed), and [T.C.](#)

[Memo. 2010-50](#) (IRS allowed to proceed with levy to collect the 2002 tax liability; \$10,000 in sanctions imposed).

The notice of a refund issued to Steven and Sarah Waltner for the year 2007 also appear on the Lost Horizons website, and yet an opinion of the Court of Federal Claims (which dismissed their suit for additional refunds) states that a federal tax lien had been imposed against Sarah Waltner for \$40,000 of penalties (apparently frivolous return penalties) for amended tax returns filed for the years 2003-2007. *Steven T. Waltner and Sarah V. Waltner v. United States*, 98 Fed. Cl. 737, No. 10-225T (U.S. Ct. Cls. 4/22/2011), *aff'd*, 679 F.3d 1329 (Fed. Cir. 2012), *cert. denied*, 133 S. Ct. 319 (2012). On April 21, 2015, the U.S. Tax Court issued an order granting part of the government's motion for summary judgment in a case in which the Waltners had filed petitions contesting the IRS determinations in connection with tax liens and proposed levies for 2003 through 2007 for their personal taxes, and for the 2006 tax liability of the Sarah V. Waltner Trust. *Waltner v. Commissioner*, case no. 8726-11L, U.S. Tax Court.

Steven Waltner's tax refund information had been published on the Lost Horizons web site, but has since been removed. Still, Tax Court Judge Ronald L. Buch recognized "not merely that Mr. Waltner's positions are predicated on that book [*Cracking the Code*] but that his returns and return information have been used to promote the frivolous arguments contained in that book." The judge therefore wrote a long (63 page) opinion refuting and ridiculing the arguments made in *Cracking the Code*, concluding with the imposition of a \$2,500 penalty imposed against Mr. Waltner for taking a "series of frivolous positions that have repeatedly been rejected by the courts." *Steven T. Waltner v. Commissioner*, [T.C. Memo 2014-35](#). In a separate case relating to the same 2008 Form 1040 return, the Tax Court ruled that Waltner had failed to report wage income of over \$75,000. The Court also ruled that Waltner was liable for the penalty for failure to timely file the 2008 return, because the 2008 return was not a valid return. The Court also ruled that Waltner and his wife Sarah were liable for penalties under Internal Revenue Code section 6673(a)(1) for litigating frivolous positions. *Steven T. Waltner and Sarah V. Waltner v. Commissioner*, T.C. Memo. 2014-133, docket No. 1729-13 (July 3, 2014). On December 15, 2014, the Tax Court also imposed a \$15,500 penalty on Donald W. Wallis, the Walters' attorney, for assisting the Waltners in presenting frivolous arguments.

In the case of Kenneth R. Lindberg, the IRS assessed a \$500 penalty for filing a frivolous tax return under Internal Revenue Code section 6702 (the law applicable at the time the tax return was filed, which was long before March 16, 2007, imposed only a \$500 penalty, as opposed to the \$5,000 penalty for frivolous returns filed on or after March 16, 2007). In addition, a \$1,000 penalty under section 6673

was imposed on Lindberg by the United States Tax Court for frivolous litigation in connection with that return. In its decision, the Court specifically mentioned Peter Hendrickson and *Cracking the Code* (as well as the *Herriman* case cited above), and noted the similarity between the *Cracking the Code* scheme and what Lindberg had done on his tax return. The Court upheld the validity of the levy action on Lindberg's assets to collect the frivolous return penalty. *Lindberg v. Commissioner*, T.C. Memo. 2010-67, No. 5421-08L (April 6, 2010).

The United States Tax Court has imposed penalties totaling \$45,000 on David and Morena Mills for frivolous litigation in connection with the use of Hendrickson's Cracking the Code scheme. Case number 003441-08, filed in the Tax Court on February 8, 2008, concerned the taxpayers' 2004 and 2005 tax returns. In those years, Mr. Mills earned an average of about \$80,000 working at an automobile dealership, yet contended that his earnings were not "wages." When asked direct questions about Peter Hendrickson, Mr. Mills was evasive, but the Court nevertheless found that Mills was a follower of Hendrickson's Cracking the Code scheme. On March 5, 2009, the Tax Court upheld the IRS determination of deficiency and the Court imposed \$20,000 in penalties on Mr. and Mrs. Mills for engaging in frivolous litigation. The taxpayers appealed, but the United States Court of Appeals for the Ninth Circuit upheld the Tax Court's judgment on July 22, 2011 (docket no. 09-72165). The taxpayers filed another petition on April 27, 2010 (U.S. Tax Court, case no. 009715-10), this one concerning their 2006 tax return. Mr. Mills earned about \$90,000 in 2006. On June 9, 2011, the Tax Court ruled in favor of the IRS, and the Court imposed a \$25,000 penalty for frivolous litigation.

The U.S. Tax Court imposed a penalty of \$10,000 on Louie Elias in case number 024624-06L. Mr. Elias filed his petition in this case on December 1, 2006. For the year 2001, the Internal Revenue Service showed that Mr. Elias had an adjusted gross income of over \$62,000, yet Elias had filed a 2001 federal income tax return showing his income to be zero. In a hearing on February 24, 2009, Judge Diane L. Kroupa noted that Mr. Elias was "a follower of Mr. Hendrickson and cracking the Code [sic]." The Court ruled in favor of the IRS, and imposed the \$10,000 penalty against Elias for filing a frivolous lawsuit against the IRS.

Before his return to federal prison in 2010, Peter Hendrickson touted the tax protester antics of his follower Justin Carl Laue, referring to Laue's written response to one IRS notice as being "cogent, scholarly and calm." In the United States Tax Court, however, the "Cracking the Code" arguments were uniformly unsuccessful in litigation over Laue's 2005 and 2006 federal income taxes. The Court determined that Justin Laue had combined federal income tax deficiencies of \$73,857 for 2005 and 2006, on compensation of nearly \$200,000 that Laue had contended was not "income." The Court rejected Laue's arguments and ruled that

the Internal Revenue Service was correct — that Laue was liable for over \$35,700 in penalties for failure to timely file a valid return, failure to timely pay, and failure to make timely installment payments of estimated tax. The Tax Court imposed another \$5,000 in penalties against Laue because of Laue's use of the frivolous "Cracking the Code" arguments in court. Laue was determined to owe over \$114,000 plus interest. See *Laue v. Commissioner*, T.C. Memo 2012-105, docket numbers 023661-10 and 023666-10 (April 11, 2012).

In *Clark v. Commissioner*, the U.S. Tax Court ruled that the Internal Revenue Service did not abuse its discretion by filing a notice of federal tax lien against Erik Stephen Clark for his unpaid federal income tax for 2007, and for statutory penalties that had been imposed for filing frivolous tax returns for 2006 and 2008. For the year 2006, Clark originally filed his federal income tax return reporting wages of over \$59,000. However, in March 2009, he filed an amended return with a Form 4852, changing wage amount to zero (a tactic often used by individuals following the *Cracking the Code* scheme). He included a typical statement to the effect that "my company issued me an erroneous W-2 and listed my payments as 'wages' as defined in the IRC Sect. 3401(a) and 3121(a), for fear of retaliation from the IRS. I am a private-sector citizen (non-federal employee), employed by a private-sector company (non-federal entity) as defined in 3401(c)(d). I am not employed in a 'trade or business', nor am I an 'officer of a corporation'". Clark filed a year 2008 return with a Form 4852, also reporting wages of zero, with a similar explanation. He filed a 2007 return in which he apparently did not use the *Cracking the Code* scheme. The IRS asserted \$10,000 in penalties under section 6702 of the Internal Revenue Code for filing frivolous tax returns (i.e., \$5,000 each, for the years 2006 and 2008). In September 2010, the IRS issued a Notice of Federal Tax Lien (NFTL) Filing. An IRS settlement officer determined that the filing of the NFTL was appropriate, and Clark filed his Tax Court petition to contest that determination. The Tax Court found that the *Cracking the Code* arguments Clark raised with the IRS settlement officer were frivolous positions. The Court stated that Clark had "taken a multitude of frivolous and groundless positions characteristic of tax protesters." The Court upheld the issuance of the NFTL. Further, in his presentation to the IRS settlement officer in an attempt to get the IRS to remove the \$10,000 in statutory penalties for filing frivolous returns, Clark had simply persisted in using the frivolous arguments. The IRS settlement officer understandably refused to accept those arguments or remove the penalties. The Court ruled that the IRS settlement officer was correct in refusing to consider Clark's frivolous arguments. See Memorandum Opinion, *Erik Stephen Clark v. Commissioner*, T.C. Memo. 2012-182, docket # 6118-11L (07/02/2012). On the day of the decision, Clark complained in a post on Peter Hendrickson's web site that "They [the Tax Court] totally ignored my argument/fact that I did not engage in any

revenue taxable activity. Didn't even mention it in their decision. This really has me disillusioned...."

Hendrickson follower Christopher R. Salmonson is serving a 20 year prison sentence— not for his federal tax activities — but for a conviction in a Florida court for defrauding his church to the tune of over a million dollars. According to the Broward County, Florida Sheriff's Office, Salmonson was arrested in August 2002 at Davie, Florida, and charged with 13 counts of grand theft in connection with allegedly defrauding his fellow church members at the Abundant Life Christian Centre of nearly \$1.7 million. The charge was that he sold a ten acre plot of land to the church but failed to disclose that it was heavily encumbered by secured debt he owed to a creditor, and that he diverted the sales proceeds to his own use while his creditor foreclosed on the real estate. The church lost the nearly \$1.7 million and was unable to recover the real estate. On November 20, 2008 the *Sun-Sentinel* of Fort Lauderdale reported that Salmonson was sentenced to 20 years in prison in the matter. Although in prison, Salmonson nevertheless managed to conduct a case he filed in 2008 in U.S. Tax Court in connection with his disagreement with the Internal Revenue Service over his federal income taxes for years 1998 through 2003. Salmonson had filed tax returns for those years on November 14, 2004 — thus, all six returns had been filed late. On the returns, Salmonson failed to report huge amounts of income. He also prepared amended returns, which may have never been filed. The amended returns included an affidavit, the words of which were almost verbatim from Hendrickson's "Cracking the Code" book as follows: " no payments or deposits were received by the party identified as 'the recipient' from the party identified as 'the payor' which were connected with the performance of the functions of a public office, or otherwise constituted gains, profits or income within the meaning of the relevant law." The IRS rejected his arguments and made adjustments for all the tax years. The tax deficiencies totalled \$807,719, plus over \$355,000 in penalties, plus interest. Salmonson fought the determinations in U.S. Tax Court, but lost. *See Salmonson v. Commissioner*, T.C. Memo 2014-244 (2014). The Florida Department of Corrections currently shows him as inmate # B06450, at the Desoto Work Camp at Tallahassee, Florida. He is scheduled for release on March 31, 2026.

Criminal cases

In addition to the convictions of Peter Hendrickson and Doreen Hendrickson (described above), convictions of several other individuals are on record in connection with the use of Hendrickson's tax evasion scam.

Roger Charles Menner is a repeat offender who had been investigated by the Internal Revenue Service as early as 1996. See, e.g., *Menner v. United States*, case number 1:96MC15, 96-2 U.S. Tax Cas. (CCH) ¶50,574 (S.D.W.Va. July 29, 1996) (Menner's motion to quash IRS summons of bank records was denied; summons ordered enforced). He was eventually convicted of failure to file federal tax returns in a matter unrelated to Hendrickson's tax scheme. Menner went to federal prison and was released in 2000. In 2007, however, Menner claimed to be a follower of Hendrickson, posting information about his federal tax situation on Hendrickson's web site. In 2008, Menner was charged with five counts of filing false federal income tax returns under Internal Revenue Code section 7206(1) and one count of obstruction under section 7212(a). See *United States v. Menner*, U.S. District Court, Eastern District of Virginia, Richmond Division, case no. 3:08-cr-00322-HEH-1. Hendrickson attempted to distance himself from Menner, asserting that Menner did not follow Hendrickson's scheme properly. At any rate, on October 23, 2008, Menner — who had claimed to have followed Hendrickson's tax scheme — was found guilty on all counts. Menner's conviction was upheld on appeal. See *United States v. Menner*, case no. 09-4221, *aff'd per curiam*, U.S. Ct. App. for the Fourth Circuit (4/20/2010), *cert. denied*, U.S. Sup. Ct., case no. 09-11394 (Oct. 4, 2010), *petition for rehearing denied*, U.S. Sup. Ct. (12/13/2010). He was sent back to prison, this time on a sentence of five years and three months. Menner (inmate # 34851-083) was incarcerated in a federal prison in Virginia, and was released on May 17, 2013.

On his lost horizons web site, Hendrickson has touted the case of Eugene George Warner of Alaska as an example of an individual who has been victorious using Hendrickson's *Cracking the Code*, in particular with respect to Form 1040 tax returns for various years, including 1991 and 2001. Warner, an ex-con who has previously served time in federal prison, was indicted by a federal grand jury on twelve counts of mail fraud, two counts of bankruptcy fraud, one count of tax evasion (involving the tax year 1991, among others), one count of attempting to interfere with the administration of the internal revenue laws, and four counts of filing false tax returns (including the returns for years 1991 and 2001, per counts 3 and 5 of the First Superseding Indictment). See *United States v. Eugene George Warner*, case no. 3:07-cr-00123-RRB-JDR, U.S. District Court for the District of Alaska (Anchorage Division). Curiously, while Hendrickson has displayed various IRS notices issued to Warner as examples of evidence of *Cracking the Code* victories for Warner for 1991 and 2001, it is not clear that Warner actually used Hendrickson's method for those years. Warner pleaded guilty to one count in the indictment in exchange for dismissal of the other charges. He was sentenced to 37 months in prison, and was incarcerated at the Federal Correctional Institution at

Sheridan, Oregon (register # 13345-006, Bureau of Prisons, U.S. Dep't of Justice). Warner was released from prison on October 7, 2011.

In a federal criminal case, Michael O'Daniel of Virginia admitted to having been influenced by Peter Hendrickson's *Cracking the Code* scheme. *United States v. Michael I. O'Daniel*, case no. 3:10-cr-00017-nkm-1, in the U.S. District Court for the Western District of Virginia (Charlottesville Div.). O'Daniel pleaded guilty to attempting to interfere with the administration of the internal revenue laws under 26 USC section 7212(a) and to uttering a fictitious obligation under 18 USC section 514(a)(2) in connection with his tax protester activities. The fifty-seven year old O'Daniel was inmate number 15255-084 at the Federal Correctional Institution at Cumberland, Maryland. He was released from prison on March 1, 2012.

On November 21, 2013, two of Hendrickson's followers were found guilty of federal tax crimes in separate trials in separate courts. On that day, in Syracuse, New York, Carmen D'Agostino was found guilty by a federal court jury of five felony counts of filing false federal income tax returns under Internal Revenue Code section 7206. On Hendrickson's web site, Hendrickson had touted D'Agostino as one of Hendrickson's followers. D'Agostino reported zero taxable income for years 2006 through 2010, when his combined taxable income for those years, according to the indictment in the case, was over \$280,000. [Larry Becraft](#) was his attorney. On March 21, 2014, D'Agostino was sentenced to 21 months in Federal prison. See *United States v. Carmen D'Agostino*, case no. 5:13-cr-00138-NAM, U.S. District Court for the Northern District of New York (Syracuse Div.). Carmen D'Agostino was inmate # 20410-052, and was released on September 28, 2015.

In Austin, Texas, Gregory P. Boyd, a former professional football player in the National Football League, was found guilty on November 21, 2013 by a federal court jury on three felony counts of filing false federal income tax returns under section 7206. At the request of Boyd's attorney, Peter Hendrickson attended Boyd's trial, and actually took the witness stand. However, the Court refused Boyd's request that Hendrickson be classified as an "expert." In the written instructions to the jury, the Court stated: "Peter Eric Hendrickson appeared as a witness and authored the book, *Cracking the Code*. You are instructed Mr. Hendrickson is not an expert witness, and his views regarding the tax code and tax liability are invalid, as determined by the U.S. federal courts." Jury Instructions, p. 6, Nov. 21, 2013, docket entry 95, *United States v. Gregory P. Boyd*, case no. 1:13-cr-00133-SS, U.S. District Court for the Western District of Texas in Austin. In a judgment entered on February 11, 2014, Boyd was sentenced to 33 months in federal prison and was ordered to pay over \$185,000 in restitution to the Internal Revenue Service. Boyd's conviction was affirmed by the United States Court of Appeals for

the Fifth Circuit. *United States v. Gregory P. Boyd*, 773 F.3d 637, No. 14-50163, 5th Cir. (Dec. 9, 2014), *cert. denied*, case no. 14-9121, U.S. Sup. Ct. (May 18, 2015). Gregory P. Boyd was inmate # 69890-097 at a Federal prison system facility in San Antonio, Texas. Boyd was released on September 2, 2016.

On his "losthorizons" web site, Peter Hendrickson has referred to "Cracking the Code" follower James A. Stuart — even including a link to a PDF document that Stuart had used to evade federal income tax. On December 7, 2011, the Hartland, Wisconsin resident was found guilty on three counts of tax evasion under section 7201 of the Internal Revenue Code for filing false Form 1040 returns by willfully failing to report, as income, the compensation he received from a company for tax years 2005, 2006, and 2007. In October of 2012, Stuart was sentenced to 33 months in federal prison on each count, with the sentences to run concurrently. See *United States v. James Arthur Stuart, Jr.*, case no. 1:10-cr-00288-CND, U.S. District Court for the Eastern District of Wisconsin. He appealed using a different lawyer than the one he had used at the trial, and argued that his trial lawyer had been ineffective. At his trial, three of Stuart's accountants testified and referred to Stuart's Emails regarding the book "Cracking the Code." On appeal, the Court of Appeals for the Seventh Circuit indicated that Stuart had adopted his views about federal taxes after reading "Cracking the Code," but that his trial lawyer had told the jury that Stuart had adopted his ideas from fellow church patrons. In the appeal, Stuart's new lawyer maintained the trial lawyer had been ineffective, in part, because the trial lawyer had not interviewed Stuart before the trial to determine that the correct source of Stuart's belief was the "Cracking the Code" book. The Court of Appeals was not persuaded that the trial lawyer had been ineffective. On December 3, 2014, the convictions were affirmed by the U.S. Court of Appeals for the Seventh Circuit (case no. 12-3471). Stuart was inmate number 10939-089, and was released from prison on January 23, 2015.

On Wednesday, October 1, 2014, a federal court jury found Hendrickson follower James R. Back guilty of three felony counts of making and subscribing false federal income tax returns (tax years 2006 - 2008) under Internal Revenue Code section 7206(1) and four misdemeanor counts of willful failure to file federal income tax returns (tax years 2009 - 2012), under section 7203. See docket entry 89, Oct. 1, 2014, *United States v. James R. Back*, case no. 3:14-cr-00020-RRB, U.S. District Court for the District of Alaska. Prior to his sentencing, James Back filed a memorandum with the Court, stating that he had been "influenced by, and in essence, was 'represented' by" [Marc Stevens](http://tpgurus.wikidot.com/marc-stevens), a non-attorney, during the trial. Back expressed dissatisfaction with Stevens, adding that Back had "disregarded the advice of standby counsel, and instead, relied solely on the advice of Mr. Stevens during breaks in the jury trial." Back noted that Stevens "sat through most of the

trial, but flew back to Arizona prior to the jury verdict". On December 16, 2014, James Back was sentenced to sixteen months in federal prison, fined \$10,000, burdened with a special assessment of \$400, plus restitution of \$113,286 to the Internal Revenue Service (for federal taxes, etc.) and \$17,240.59 to the Department of Justice (for costs of prosecution). James R. Back (inmate # 17586-006) was released from prison on November 25, 2015.

On October 2, 2014, a federal court jury found Peter A. Giambalvo guilty under Internal Revenue Code section 7206(1) of eight counts of filing false federal income tax returns for years 2003 through 2010 and one count of corruptly endeavoring to obstruct and impede the administration of the internal revenue laws under section 7212(a), in *United States v. Giambalvo*, case no. 14-cr-00067-RWS, in the U.S. District Court for the Eastern District of Missouri. Giambalvo was a systems engineer with The Boeing Company, and he testified that he filed his tax returns showing zero income from Boeing based on his reading of Hendrickson's book, *Cracking the Code*. He was sentenced to sixteen months in federal prison, and served his time as inmate # 41630-044. He was released on November 13, 2015. His conviction was upheld by the United States Court of Appeals for the Eighth Circuit on January 13, 2016, in case number 15-1136.

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