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STOCKTON MAN CONVICTED OF TAX OFFENSES

SACRAMENTO--United States Attorney McGregor W. Scott announced today that RONALD BATCH, 45, of Stockton, California, was convicted late yesterday afternoon of two counts of filing false federal income tax returns for the years 1996 and 1997. The guilty verdict was returned by a federal court jury in Sacramento after a three day trial before United States District Judge David F. Levi.

According to Assistant United States Attorney Richard Bender, who is prosecuting the case, the evidence introduced at trial showed that BATCH had under reported his 1996 income by \$477,472 and overstated his 1997 business deductions by \$791,238. The false entries were on that portion of his tax return relating to his business, BATCH Tractor Services.

According to the trial testimony, the tax investigation began shortly after investigators from the San Joaquin County District Attorney's Office, Union Pacific Railroad Police, and from the California Employment Development Office, executed a search warrant at the defendant's residence on October 1, 1998. The search warrant authorized them to look for evidence concerning California Unemployment Insurance and Workers Compensation Insurance Code violations as well as possible fraud against Central California Traction Company (a short-line railroad wholly owned by Union Pacific and Burlington Northern Sante Fe Railroads). At that time receipts apparently intended to support various business expenses for the defendant's company, BATCH Tractor Services, were found in the defendant's files and seized pursuant to the search warrant. An examination of some of the receipts raised a suspicion that they were fictitious.

Internal Revenue Service Criminal Investigators joined in the investigation soon thereafter and determined that the companies that supposedly issued the suspicious receipts did not exist. They also determined that the numbers generated from these receipts had been forwarded and used to prepare the defendant's 1997 tax return. The false receipts totaled \$791,238. The IRS investigation concerning the 1997 tax return also uncovered \$477,472 in unreported 1996 business income that was added to the charges.

In the penalty phase of the case, the jury determined that the combined tax loss to the government caused by the defendant's false reporting on the 1996 and 1997 returns was over \$400,000. BATCH is scheduled to be sentenced on December 9, 2004. He faces up to three years in federal prison on each of the two tax charges.

Still pending against defendant BATCH are the remaining two counts of the original indictment that alleges that BATCH, through his company, BATCH Tractor Services (BTS), engaged in a scheme to defraud Central California Traction Co. (CCT), a Stockton short-line railroad, by paying kickbacks to CCT's manager, Howard Menking. The alleged purpose of the kickbacks was to convince CCT's manager to award BTS additional work from CCT, and to loosely review BTS's billings for that work to CCT. [The Indictment contains a more detailed description of the alleged scheme.] The fraud portion of the case was stayed pending the outcome of the tax charges. Howard Menking was convicted in federal court in Sacramento last year of related theft of railroad property charges. The charges in the indictment are only allegations and BATCH is presumed innocent until proven guilty at trial.

The United States Attorney's Office is pleased to have joined with the IRS to target this wide-scale fraud. Our vigorous prosecution efforts should serve as notice to others who would attempt to engage in false tax return schemes," stated United States Attorney McGregor W. Scott.

According to IRS Special Agent in Charge Victor S. O. Song, "This was a joint effort among law enforcement and I am pleased that the IRS was part of it. Tax crimes affect us all. They undermine the integrity of our system of taxation."

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