

**IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF COLORADO**

Civil Action No. _____

UNITED STATES OF AMERICA

Plaintiff,

v.

CURTIS L. MORRIS, individually and
d/b/a NUMBERS AND BEYOND

Defendant.

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

Plaintiff, the United States for its complaint against Curtis L. Morris, individually and doing business as Numbers and Beyond, alleges as follows:

1. This is a civil action brought by the United States under 26 U.S.C. §§ 7402(a), 7407, and 7408 to enjoin Curtis L. Morris, individually and doing business as Numbers and Beyond, and anyone in active concert or participation with him, from the following activities:
 - a. Preparing or filing, or assisting in, or directing the preparation or filing of any federal tax return, amended return or other related documents or forms for any other person or entity;
 - b. Directly or indirectly organizing, promoting, marketing or selling any plan or arrangement that advises or assists taxpayers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of

their federal tax liabilities, including promoting, selling or advocating the use of false Forms 1099-OID or claiming false OID income based on the false claim that:

- i. Taxpayers can draw on the Treasury of the United States to pay their tax debt or other debt using Forms 1099-OID or other documents;
 - ii. Taxpayers can issue false Forms 1099-OID to a creditor and report the amount on the false Form 1099-OID as income taxes withheld on their behalf;
 - iii. Taxpayers have a secret account with the Treasury Department, which they can use to pay their debts or which they can draw on for tax refunds through a process that is often termed “redemption” or “commercial redemption” by promoters of this tax-fraud scheme.
- c. Engaging in conduct subject to penalty under 26 U.S.C. § 6700, including organizing or selling a plan or arrangement and making or furnishing a statement regarding the excludability of income or securing any other tax benefit that he knows or has reason to know is false or fraudulent as to any material matter;
- d. Engaging in conduct subject to penalty under 26 U.S.C. § 6701, including preparing and filing tax returns and other documents that understate the tax liabilities of others;

- e. Preparing his own federal income tax returns claiming income withholding and refunds based on amounts shown in Forms 1099-OID issued to his creditors;
- f. Filing, providing forms for, or otherwise aiding and abetting the filing of frivolous Forms 1040, Forms 1040X or Forms 1099 for himself or others;
- g. Representing anyone other than himself before the Internal Revenue Service, and;
- h. Engaging in any other conduct that is subject to penalty under the Internal Revenue Code or that interferes with the proper administration and enforcement of the internal revenue laws.

Jurisdiction and Venue

- 2. Pursuant to 26 U.S.C. §§ 7402, 7407, and 7408, this action has been requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and is brought at the direction of the Attorney General of the United States.
- 3. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. §§ 7402(a), 7407, and 7408.
- 4. Venue is proper in this Court pursuant to 28 U.S.C. § 1391 because Defendant Curtis L. Morris resides and does business in Elizabeth, Colorado within this judicial district.

Defendant's Activities

- 5. Since at least 2008, Curtis L. Morris has done business under the name Numbers and Beyond, which uses the same address as Morris's personal residence in Elizabeth, Colorado.

6. In 2008 and 2009, Morris, doing business as Numbers and Beyond, prepared and filed frivolous tax returns, amended tax returns, and other frivolous documents on behalf of others in exchange for compensation. Morris signed his customers' frivolous tax returns as the paid return preparer.
7. Morris received a degree in accounting from Black Hills State University in South Dakota. Morris has been previously employed as an accountant and a bookkeeper.

Morris's Tax-Fraud Scheme

8. Morris promotes a tax-fraud scheme that involves filing frivolous tax returns and other frivolous documents with the IRS on behalf of his customers.
9. The returns Morris prepares for his customers fabricate the amount of federal income tax withheld on behalf of his customers. The fabricated tax withholding reported to the IRS on his customers' returns results in fraudulent refund claims by his customers.
10. In support of the fraudulent refund claims, Morris claims that interest income reported on the return is subject to an "OID adjustment." Morris sometimes will also file false Forms 1099-OID with the IRS in support of the fraudulent claims.
11. Original issue discount (OID) income refers to the difference between the price for which a debt instrument is issued and its stated redemption price at maturity. OID income is generally included in a taxpayer's income as it accrues over the term of a debt instrument, regardless if the taxpayer receives payments from the issuer of the debt instrument. OID income is treated like a payment of interest and a party issuing a financial instrument generating OID income must issue a Form 1099-OID.

12. The federal income tax returns that Morris prepares falsely state that his customer either issued a debt instrument that generated OID income or purchased a debt instrument that generated OID income.
13. The federal income tax returns that Morris prepares also falsely state that federal income taxes were withheld for the full amount of OID income purportedly received by his customer.
14. The frivolous federal income tax returns that Morris prepares list OID income that are purportedly received by his customer to or from a creditor of the customer, usually a car loan, mortgage or credit card balance owed by the customer to the creditor. The federal income tax returns Morris prepares also report tax withholding for the amount of the debt. The result of this is an inflated tax liability for the customer but with a huge false refund claim. One of the amended income tax returns Morris prepared for a customer included a fraudulent refund claim in excess of \$1.7 million for tax year 2008.
15. Consequently, Morris's customers fail to file proper federal income tax returns and falsely claim tax refunds to which they are not entitled.
16. The apparent purpose of Morris's frivolous tax returns and Forms 1099-OID is to request fraudulent refunds by accessing a non-existing Treasury account.
17. In reality, Morris's scheme fraudulently reports that tax was withheld on behalf of his customers and then claims refunds based on that non-existent withholding.
18. The returns that Morris submits on behalf of his customers falsely claim that his customer withheld the total amount of interest included on fraudulent Forms 1099-OID attached to

the tax return or listed as OID income on the tax return. The amounts listed are based on the total amount of debt the customer owes to his/her creditor.

19. In 2008 and 2009 for example, Morris, while doing business as Numbers and Beyond, prepared amended federal income tax returns for 2005, 2006 and 2007 for Richard and Sharon Armstrong of Lake Havasu City, Arizona. On the Armstrongs' amended 2005 federal income tax return, Morris falsely claimed that they earned additional interest income in 2005 of \$582,352. Morris then reported additional withholding of federal income tax in the amount of \$582,352. The stated reason on the amended return for this change was "OID adjustments due to corrected forms being filed to direct and identify the originator of credit and the withheld [*sic*] taxes." As a result of Morris's false claims, the Armstrongs claimed a fraudulent refund of \$582,352 to which they were not entitled. Similarly, on their 2006 and 2007 amended returns, Morris falsely reported that the Armstrongs earned additional interest income and additional withholding of \$283,746 and \$605,300 respectively. The stated reason for filing these amended returns was to "return principal to creator and surety." As a result, the Armstrongs claimed fraudulent refunds of \$283,746 and \$605,300 for 2006 and 2007 respectively. Furthermore, the IRS did not detect the fraudulent refund claims and the Armstrongs have received erroneous refunds totaling \$1,471,398 for their 2005-2007 amended tax returns.
20. Also in 2009, Morris prepared amended 2005 and 2006 federal income tax returns for Steven and Susan Broughton of Parker, Colorado. On the Broughtons' amended 2005 federal income tax return, Morris falsely claimed that they earned additional interest income in 2005 of \$518,657 and then submitted phony Forms 1099-OID falsely claiming

\$518,656.95 of federal income tax had been withheld on their behalf. As a result of these false claims, the Broughtons claimed a fraudulent refund for \$333,127 to which they were not entitled. Similarly, on the Broughtons' 2006 federal income tax return, Morris falsely claimed that they earned additional interest income of \$329,636 and submitted phony Forms 1099-OID falsely claiming \$329,636.51 of federal income tax had been withheld on their behalf. As a result of Morris's false claims, the Broughtons claimed a fraudulent refund for \$211,429 to which they were not entitled.

21. Again in 2009, Morris filed amended 2005 federal income tax return for Robert Franks and Carol Sands of Commerce City, Colorado. Rather than submit phony Forms 1099-OID on their behalf, Morris falsely claimed on the return that they received \$757,962 in interest income in 2005, claimed that there should be an "OID adjustment [for] return of equity interest to principal and surety," and then reported additional withholding of federal income tax in the amount of \$757,962. As a result of Morris's false claims, Franks and Sands claimed a fraudulent refund of \$757,962 to which they were not entitled.
22. Morris does not limit his preparation of false federal income tax returns and phony Forms 1099-OID to his customers. In 2008, Morris prepared an amended 2006 federal income tax return on behalf of himself and his wife, Susan Morris. Morris falsely claimed that they earned additional interest income in 2006 of \$74,546 and then submitted phony Forms 1099-OID falsely claiming \$74,546.43 of federal income tax had been withheld on their behalf. Morris noted on the amended return that the change was that "1099 OID interest and withholding [*sic*] not reported or received until late. Filed for equity interest

recovery back to principle [*sic*].” As a result of these false claims, the Morrises claimed a fraudulent refund for \$74,546 to which they were not entitled.

Harm Caused by Morris’s Misconduct

23. On behalf of customers located in Colorado, Arizona, California and New Mexico, the IRS has identified at least 141 returns prepared and/or filed by Morris in 2008 and 2009 that request fraudulent refunds whose total exceeds \$55 million.
24. Morris’s scheme is part of a growing trend amongst tax protestors to file frivolous tax returns and Forms 1099-OID (or to claim false OID income) with the IRS and courts in an attempt to escape their federal tax obligations and steal from the U.S. Treasury.
25. The apparent purpose of Morris’s frivolous tax returns, amended tax returns and Forms 1099-OID is to purport to satisfy the tax return filing requirements of the customer and lay the foundation for large refund requests or for the purpose of purporting to satisfy the taxpayer’s tax obligations or other personal debts.
26. The returns that Morris submits on behalf of his customers falsely claim that his customer withheld an amount listed on fraudulent Forms 1099-OID that Morris prepares and attaches to the tax return. Morris may also simply list the false OID income on the return without providing phony Forms 1099-OID. The amounts listed are based on the total amount of debt the customer owes to his creditors.
27. While the IRS is able to detect and stop most fraudulent refund claims, Morris’s fraudulent tax return preparation has resulted in the IRS’s issuance of at least \$1.9 million in erroneous refunds to his customers.

28. In addition to the lost revenue due to the issuance of erroneous refunds, the government has also incurred the expense of conducting the investigation of Morris's fraudulent return preparation and responding to and processing the frivolous documents Morris submitted to the IRS.
29. In reliance on Morris's services, his customers have failed to file proper federal income tax returns, which has either deprived his customers of proper tax refunds to which they may have been entitled or deprived the United States of additional tax revenue owed by his customers.

Count I: Injunction Under 26 U.S.C. § 7407

30. The United States incorporates by reference the allegations contained in paragraphs 1 through 29.
31. The United States may seek an injunction against any tax return preparer who has engaged in any "fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws," or who has "engaged in any conduct subject to penalty under section 6694 or 6695." 26 U.S.C. § 7407.
32. If a return preparer's misconduct is continual or repeated and the court finds that a narrower injunction (i.e. prohibiting specific enumerated conduct) would not be sufficient to prevent the preparer's interference with the proper administration of federal tax laws, the court may enjoin the person from further acting as a return preparer.
33. Morris has repeatedly prepared and filed with the IRS false and fraudulent income tax returns on behalf of his customers.

34. As a result, Morris has repeatedly engaged in fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws.
35. Morris has repeatedly and continually prepared and filed federal tax returns that understate his customers' tax liabilities as a result of unreasonable and frivolous claims and has thus engaged in conduct subject to penalty under 26 U.S.C. § 6694.
36. Morris has repeatedly and continually prepared and filed federal tax returns that understate his customers' tax liabilities as a result of Morris's willful attempt to understate his customers' tax liabilities and/or Morris's reckless and/or intentional disregard of the internal revenue laws and regulations.
37. Injunctive relief is appropriate to prevent this misconduct because, absent an injunction, Morris is likely to continue to prepare false federal income tax returns and engage in other misconduct of the type described in this complaint.
38. Morris should be permanently enjoined under 26 U.S.C. § 7407 from acting as a federal tax return preparer because a more limited injunction would be insufficient to stop him from interfering with the proper administration of the tax laws.

Count II: Injunction Under 26 U.S.C. § 7408 for Violations of 26 U.S.C. §§ 6700 and 6701

39. The United States incorporates by reference the allegations contained in paragraphs 1 through 38.
40. The United States may seek an injunction to enjoin any person from, *inter alia*, entering in conduct subject to penalty under 26 U.S.C. §§ 6700 or 6701 if injunctive relief is appropriate to prevent recurrence of that conduct.

41. Section 6700 of the Internal Revenue Code imposes a penalty on any person who organizes or participates in the sale of a plan or arrangement and in so doing makes a statement with respect to the allowability of any deduction or credit, the excludability of any income, or the securing of any tax benefit by participating in the plan or arrangement which that person knows or has reason to know is false or fraudulent as to any material matter.
42. In 2008 and 2009, Morris organized and participated in the sale of a plan or arrangement and in doing so made false and fraudulent statements with respect to the tax benefits of participating in the plan or arrangement which Morris knew or had reason to know were false.
43. Morris falsely promised larger tax refunds from the government, which Morris knew or had reason to know were predicated on the submission of false and frivolous documents to the IRS.
44. As a result, Morris engaged in conduct subject to penalty under 26 U.S.C. § 6700.
45. Section 6701 of the Internal Revenue Code imposes a penalty on any person who aids or assists in, procures, or advises with respect to, the preparation of any portion of a return, affidavit, claim, or other document, who knows (or has reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws, and who knows that such portion (if so used) would result in an understatement of the liability for tax of another person.

46. Morris prepared and aided or assisted in the preparation and filing of federal income tax returns and other documents that he knew resulted in the understatement of his customers' tax liabilities.
47. As a result, Morris engaged in conduct subject to penalty under 26 U.S.C. § 6701.
48. Injunctive relief is appropriate to prevent recurrence of Morris's penalty conduct.

Count III: Injunction Under 26 U.S.C. § 7402

49. The United States incorporates by reference the allegations contained in paragraphs 1 through 48.
50. Courts may issue injunctions as may be necessary or appropriate for the enforcement of the internal revenue laws, even if the United States has other remedies available for enforcing those laws. 26 U.S.C. § 7402.
51. Morris substantially interfered with the enforcement of the internal revenue laws by promoting his "redemption" or "commercial redemption" tax-fraud scheme and filing frivolous federal tax returns and other documents on behalf of his customers.
52. As a result of Morris's misconduct, his customers fail to file proper tax returns and instead file frivolous refund claims. In some instances, erroneous refunds for nearly \$2 million have been issued to his customers.
53. Morris's conduct results in irreparable harm to the United States for which the United States has no adequate remedy at law.
54. Morris's conduct interferes with the proper administration of the Internal Revenue laws because it results in hundreds of frivolous filings with the IRS that hinder the IRS's ability to determine the correct tax liabilities of his customers.

55. Unless enjoined by this Court, Morris will continue to promote and administer his tax-fraud scheme.

56. The United States is entitled to injunctive relief under I.R.C. § 7402(a) to prevent the recurrence of this misconduct.

WHEREFORE, Plaintiff, the United States of America, prays for the following relief:

- A. That the Court find that Morris has continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. §§ 6694, 6700, and 6701 and that injunctive relief is appropriate under 26 U.S.C. §§ 7402, 7407, and 7408 to bar Morris from acting as a tax return preparer and from engaging in conduct subject to penalty under 26 U.S.C. §§ 6694, 6700 and 6701;
- B. That the Court find that Morris has engaged in conduct that substantially interferes with the enforcement and administration of the internal revenue laws, and that injunctive relief against him is appropriate to prevent the recurrence of that misconduct pursuant to 26 U.S.C. §§ 7407 and 7402(a);
- C. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a permanent injunction permanently barring Morris from acting as a federal tax return preparer and from preparing or filing federal tax returns for others, and from representing others before the IRS;
- D. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a permanent injunction prohibiting Morris and his representatives, agents, servants, employees, attorneys, independent contractors, and anyone in active concert or participation with him, from directly or indirectly:

1. Preparing or filing, or assisting in, or directing the preparation or filing of any federal tax return or amended return or other related documents or forms for any other person or entity;
2. Giving tax advice or assistance to anyone for compensation;
3. Engaging in activity subject to penalty under 26 U.S.C. §§ 6694 or 6695;
4. Engaging in any other activity subject to penalty under the Internal Revenue Code; and
5. Engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

E. That this Court, under 26 U.S.C. §§ 7402 and 7408, enter a permanent injunction prohibiting Morris and his representatives, agents, servants, employees, and anyone in active concert or participation with him, from directly or indirectly by means of false, deceptive, or misleading commercial speech:

1. Organizing or selling tax shelters, plans or arrangements that advise or assist taxpayers to attempt to evade the assessment or collection of such taxpayers' correct federal tax;
2. Engaging in any other activity subject to penalty under 26 U.S.C. § 6700, including organizing or selling a plan or arrangement and making a statement regarding the excludability of income or any other tax benefit by participating in the plan that he knows or has reason to know is false or fraudulent as to any material matter;
3. Engaging in any activity subject to penalty under 26 U.S.C. § 6701; and

4. Directly or indirectly organizing, promoting, marketing, or selling any plan or arrangement that advises or encourages taxpayers to attempt to violate internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including promoting, selling, or advocating the use of false Forms 1099-OID based on the false claims that:

- i. Taxpayers can draw on the Treasury of the United States to pay their tax debt or other debt using Forms 1099-OID or other documents;
- ii. Taxpayers can issue false Forms 1099-OID to a creditor and report the amount on the false Forms 1099-OID as income taxes withheld on their behalf, and;
- iii. Taxpayers have a secret account with the Treasury Department which they can use to pay their debts or which they can draw on for refunds through a process that is often called “redemption” or “commercial redemption.”

- F. That this Court, under 26 U.S.C. § 7402, enter a permanent injunction prohibiting Morris from preparing his own federal income tax returns claiming false income tax withholding and refunds based on amounts shown in false Forms 1099-OID issued to his creditors;
- G. That this Court, under 26 U.S.C. § 7402, enter a permanent injunction prohibiting Morris from filing, providing forms for, or otherwise aiding and abetting the filing of frivolous Forms 1040, Forms 1040X, or Forms 1099 for himself or others, including the notarization or signing of certificates of service or similar documents in connection with the frivolous tax returns;

- H. That this Court, under 26 U.S.C. § 7402, enter an injunction requiring Morris to contact by mail (and also by e-mail, if an address is known) all persons who have purchased any products, services or advice associated with the false or fraudulent tax scheme described in this complaint and inform those persons of the Court's findings concerning the falsity of Morris's prior representations and attach a copy of the permanent injunction against Morris;
- I. That this Court, under 26 U.S.C. § 7402, order Morris to provide to the United States a list of all persons who have purchased any products, services or advice from him in the past three years;
- J. That this Court allow the government full post-judgment discovery to monitor Morris's compliance with the injunction, and;
- K. That this Court grant the United States such other and further relief as the Court deems just and appropriate.

Dated: October 6, 2009.

Respectfully submitted,

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