

IN THE UNITED STATES DISTRICT COURT FOR THE
MIDDLE DISTRICT OF TENNESSEE

UNITED STATES OF AMERICA,)
)
) Plaintiff,
)
) v. Civil No.
)
GEORGE K. PRAGOVICH d/b/a)
NATIONAL JUSTICE CENTER,)
)
) Defendants.)

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

The United States of America makes the following allegations against the defendant, George K. Pragovich, doing business as National Justice Center:

1. This is a civil action brought by the United States pursuant to §§ 7402(a) and 7408 of the Internal Revenue Code of 1986 (26 U.S.C.) (“IRC”) to enjoin the defendant and anyone in active concert or participation with him, from:
 - a. organizing, promoting, or selling any tax shelter, plan, or other arrangement, that advises or assists customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of federal taxes;
 - b. making or causing another person to make false statements about the allowability of any deduction or credit, the excludability of any income, or the securing of any tax benefit by the reason of participating in any plan or

- other arrangement;
- c. engaging in any other activity subject to penalty under I.R.C. §§ 6700 or any other penalty provision in the Internal Revenue Code;
- d. engaging in conduct designed or intended to, or having the effect of, obstructing or delaying any Internal Revenue Service investigation or audit; and
- e. engaging in any other conduct that interferes with the proper administration and enforcement of the internal revenue laws.

Jurisdiction

2. This civil action has been requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General of the United States.
3. Jurisdiction is conferred upon this Court by I.R.C §§ 7402(a) and 7408, and 28 U.S.C. §§ 1340 and 1345.
4. Venue is proper in this Court under 28 U.S.C. §§ 1391 and 1396 because the defendant resides in this judicial district and a substantial part of the conduct described in this complaint occurred in this judicial district. George K. Pragovich resides in Clarksville, Tennessee and conducts business under the name National Justice Center, located in Clarksville, Tennessee.

Pragovich's Background

5. Since at least 2005, defendant George K. Pragovich has been actively organizing and promoting a scheme involving the preparation and sale of services and materials that assist customers in filing and maintaining frivolous lawsuits against the United States in order to avoid the collection of taxes and to impede the proper administration of the tax law.
6. Pragovich provides direction and assistance to customers who file the frivolous lawsuits. For example, Pragovich provides customers with pre-drafted and/or fill-in-the-blank complaints, as well as legal research, and prepared responses to IRS correspondence and government motions related to the frivolous lawsuits.
7. Pragovich sells his frivolous lawsuit services and materials using the name National Justice Center, formerly The National Trauma Center, located in Clarksville, Tennessee.
8. Pragovich is not a lawyer or a CPA and does not have a formal education in the area of tax.
9. Pragovich has a history of involvement with abusive tax promotions. Pragovich previously worked with Royal Lamarr Hardy prior to Hardy's federal conviction in the District of Hawaii on May 13, 2005 for selling tax evasion schemes.
10. Pragovich has also been associated with Eddie Kahn. Kahn was enjoined pursuant to IRC §§ 7402 and 7408 on August 13, 2004 in the Middle District of Florida for

his promotion of nationwide tax scams and convicted in early 2008 for conspiracy to defraud the government.

11. Pragovich refers to himself as a “strict Constitutionalist” who does not recognize Constitutional Amendments Eleven through Twenty-Six, including the Sixteenth Amendment which gives Congress the power to lay and collect income tax. Pragovich has not filed a federal income tax return since 1999.
12. As explained in detail later in this complaint, Pragovich has impeded the IRS’ investigation of his frivolous lawsuit promotion by failing to appear in response to an IRS summons and failing to provide summonsed records related to the frivolous lawsuit promotion.
13. Pragovich has also impeded the IRS’ investigation of his frivolous lawsuit promotion by filing frivolous petitions to quash IRS summonses issued to 26 of his frivolous lawsuit customers in 14 separate judicial districts.

Frivolous Lawsuit Scheme Background

14. As mentioned above, Pragovich was previously associated with at least two other abusive tax promotions, one involving Royal Lamarr Hardy and the other involving Eddie Kahn.
15. In 1985, Royal Lamarr Hardy began promoting a scheme called the Reliance Defense out of Honolulu, Hawaii. The Reliance Defense consisted of books and binders filled with materials purporting to show the false conclusion that the

federal income tax laws imposed no legal obligation to file a tax return or pay tax.

Hardy marketed these materials throughout the United States under the business names The Research Foundation and, earlier, The Corner Stones of Freedom.

16. Pragovich was considered the primary contact person in the continental United States for Hardy's promotion. One of Pragovich's duties was to receive leads for selling the Reliance Defense from an abusive promotion operated out of Florida by American Rights Litigators ("ARL") and its founder, Eddie Kahn.
17. Eddie Kahn and ARL promoted a tax fraud scheme which involved sending frivolous and harassing letters to the IRS, submitting false and frivolous complaints to the Treasury Inspector General for Tax Administration, advising customers to obstruct IRS examinations and collections, and advising customers to not file federal income tax returns or pay federal taxes.
18. In August 2004, Kahn and ARL were barred - pursuant to IRC §§ 7402 and 7408 - from promoting the tax-fraud scheme.
19. Kahn was later convicted in early 2008 for conspiracy to defraud the government and for making or aiding and abetting the making of a false and fraudulent claim for payment against the United States.
20. Kahn was also indicted on September 3, 2008, on charges of mail fraud, conspiracy to commit mail fraud, and conspiracy to defraud the United States. The indictment alleges that Kahn and ARL continued to prepare fraudulent and

obstructive correspondence to the IRS on behalf of ARL customers, even after the entry of the August 13, 2004 injunction.

21. On May 13, 2005, Royal Lamarr Hardy was convicted in the District of Hawaii for selling the Reliance Defense tax evasion scheme; he is currently serving a 156-month federal prison sentence.
22. After Kahn was enjoined and Hardy was convicted, Pragovich continued his relationship with Hardy's and Kahn's clients, as well as other individuals involved in the promotion of the Reliance Defense and ARL schemes, including: Thomas Smith of St. George, Utah; Bart Rippl of Cleveland, Ohio; Joe Kinney of Beantown, Tennessee; and Eugene Kernan of Phoenix, Arizona.
23. Kernan currently runs a tax protestor organization called the American Republic. The American Republic maintains a website at www.theamericanrepublic.com/ and promotes CD-roms labeled "How to Stop the IRS." The CD-roms teach individuals how to evade federal income taxes.

Mechanics of the Frivolous Litigation Scheme

24. Pragovich has assisted customers across the country in filing hundreds of frivolous lawsuits in the U.S. District Court for the District of Columbia alleging bogus claims against the government under IRC §§ 7433 and 7431. *See* Exhibits A & B.
25. All of the lawsuits lack merit and are used to make frivolous tax-protester type arguments. The complaints consist of boilerplate recitations without concern for

law or facts. In fact, many of the allegations have no factual basis or are contradicted by the customers' own exhibits and statement of facts.

26. Customers file the IRC §§ 7433 and 7431 lawsuits in an attempt to evade their federal income tax liabilities and to impede proper administration and enforcement of the internal revenue laws.
27. The frivolous suits continue to be filed despite repeated dismissals by the Court.

The Lawsuits.

Section 7431

28. Section 7431 allows a taxpayer to bring a civil action for damages against the government if a government employee knowingly or negligently discloses tax return information in violation of any provision of IRC § 6103.
29. At least 29 frivolous section 7431 lawsuits have been filed by Pragovich's customers with Pragovich's assistance. The central claim in those lawsuits was that the IRS improperly assessed federal income taxes against customers and unlawfully disclosed customers' federal income tax return information when filing notices of federal tax lien against the customers.
30. All of the section 7431 lawsuits were dismissed after the D.C. District Court found that alleged unauthorized disclosures in relation to collection activity (i.e. filing notice of federal tax liens) could only be remedied by a suit for damages under IRC § 7433 for unauthorized collection.

Section 7433

31. IRC § 7433 of the Internal Revenue Code permits a taxpayer to bring a civil action for damages against the government if, in connection with the collection of federal tax, any IRS officer or employee recklessly or intentionally or by reason of negligence disregards any provision of the Internal Revenue Code or related administrative regulations.
32. Pragovich's pre-packaged section 7433 lawsuits allege that, since the 1990s, the IRS and its employees have unlawfully pursued collection of taxes that the IRS never assessed against Pragovich's customers.
33. The section 7433 complaints usually contain between 20 and 40 counts of alleged IRS misconduct, reciting a litany of regulations and statutory provisions.
34. For example, the complaints include allegations that the IRS:
 - failed to answer correspondence (which allegedly indicates bias),
 - mailed unsupported collection letters,
 - failed to record assessments of tax and penalties,
 - attempted to collect sums greater than what appears on "non-existing" records of assessment of taxes and penalties,
 - refused to prove items of income reconstructed through the use of statistical information,
 - made false entries and records of matters that did not occur,

- asserted a federal tax lien against the customer's property without giving proper notice, and
 - asserted liens for which no assessment was made.
35. The complaints provide no specific factual allegations regarding when or how the alleged conduct occurred. For example, the section 7433 suits do not identify the amount of taxes demanded by the IRS, specify the IRS employees involved in the alleged misconduct, or describe the encumbered properties at issue.
36. The section 7433 lawsuits claim that as a result of the alleged IRS misconduct, Pragovich's customers have suffered, among other things, loss of good will, loss of business, loss of property, loss of income, and personal embarrassment.
37. The complaints request an order directing the IRS to pay damages in the amount of \$10,000 for each alleged violation of the Internal Revenue Code or regulations. Some of the lawsuits - in contradiction of the Anti-Injunction Act, 26 U.S.C. § 7421 - seek an order enjoining the IRS from engaging in further collection activity against the customers.
38. All of the complaints are frivolous for several reasons, chief among them:
- They falsely claim (based on shop-worn, oft-rejected tax protestor theories) that the IRS has failed to properly follow various procedures concerning the assessment and collection of taxes; and
 - They falsely claim that plaintiffs have filed administrative claims for

damages as a prerequisite to filing the lawsuit.

39. A closer reading of many of the common allegations in the complaints reveals that the complaints are largely premised on several misguided and frivolous tax protestor type arguments generally challenging federal taxation such as:
- allegations claiming that the IRS is required to and has failed to notify plaintiffs that they must file tax returns (and maintain records supporting the information reported on their returns) frivolously implying that they need not file a tax return until notified by the IRS;
 - allegations that the IRS has wrongly forced plaintiffs to obtain social security numbers, and classified them as “aliens;”
 - allegations claiming that the IRS’s has no authority to determine tax liabilities and assess taxes when citizens fail or refuse to file their own tax returns;
 - allegations that the IRS may only assess taxes shown on returns or payable by stamp; and
 - allegations that the IRS can only assess taxes against “those engaged in activity relating to Alcohol, Tobacco Products and Firearms.”
40. To date, almost every section 7433 case has been dismissed for lack of jurisdiction, failure to state a claim, or on the basis that it is frivolous and groundless.
41. After these complaints are dismissed, customers often file a motion to reconsider, a

motion to vacate the judgment, an amended complaint, and/or an entirely new section 7433 lawsuit.

42. The motions to vacate are filed long after the deadline to file such motions and include no legal basis for vacating the judgment.
43. The amended complaints and newly filed section 7433 lawsuits are also frivolous, containing a slightly different legal basis from the original complaints and adding stock frivolous constitutional claims.
44. Some customers have filed up to three separate frivolous section 7433 lawsuits. At least two customers, Robert Scott and Lisa Castoria-Scott of Mobile, Alabama have been sanctioned by the D.C. District Court for their numerous frivolous filings.
45. In its memorandum opinion dismissing the amended complaint in the Scotts' third section 7433 lawsuit, the D.C. Circuit Court described the Scotts' amended complaint as "frivolous" and "groundless," a "boilerplate pleading filed without concern for the law, the facts, or the redundant expenditure of judicial resources" with legal premises that "had already been uniformly rejected by many judges on this Court such that 'any reasonable possibility of petitioner's success on the merits was squarely foreclosed by long-settled case law.'" *Robert Scott, et al., v. United States, et al.*, 07-cv-1529(ESH), Doc# 25, at 2, (quoting *Jenkins v. Comm'r*, 483 F.3d 90, 94 (2d Cir. 2007)).

46. Pragovich filed his own frivolous section 7433 lawsuit on November 14, 2005. After the Court dismissed his suit in February 2007, Pragovich filed a second frivolous 7433 lawsuit in November 2007. The Court dismissed the second suit and Pragovich appealed the dismissal to the DC Circuit Court of Appeals on April 16, 2009. That appeal is still pending.
47. One of Pragovich's assistants in the scheme, Bart Rippl also filed a section 7433 lawsuit on January 27, 2006. Rippl's suit was dismissed on July 7, 2006; however Rippl continued to file documents in the case until February 2007, including a baseless motion to vacate the dismissal.

Services and Materials Provided by Pragovich.

48. It appears that the frivolous lawsuit promotion began as part of Royal Lamarr Hardy's Reliance Defense and was continued by Pragovich after Hardy's conviction in 2005.
49. The frivolous lawsuit scheme was first promoted by Pragovich under the name the "National Trauma Center" (NTC) whose mailing address was initially the same address used by Hardy for the Reliance Defense in Honolulu, Hawaii. NTC's mailing address was later switched to an address in Vernal, Utah.
50. At some point, "The National Trauma Center" was changed to "National Justice Center" with mailing addresses in at least three states including Utah, Illinois, and, currently, Tennessee.

51. The initial cost of participating in the section 7433 promotion is approximately \$5,000. For that payment, a customer receives one tabbed binder and the initial section 7433 complaint.
52. The binder contains instructions regarding how to file a 7433 lawsuit and a copy of the section 7433 statute, as well as empty tabbed sections labeled: 7433 research; 23C assessment research; Letters sent to IRS; Answers received from IRS, 7433 lawsuit/complaint; Responses to government motions; Government responses to customer motions; Attorney's legal opinion of 7433; and Final disposition of 7433 lawsuit.
53. Pragovich sends emails to customers with either a completed section 7433 complaint or a complaint with some blanks to be filled in by customers. Pragovich also provides the customers with a civil cover sheet, a letter to the Commissioner of the IRS, and a letter to the Secretary of the Treasury.
54. In addition, Pragovich issues checklists to customers which lay out the steps the customer must take to file the frivolous lawsuit, including explanations regarding how many copies need to be made and where to mail each item.
55. Customers are required to pay Pragovich for every additional document needed, including research, IRS letters, and responses to government motions. Pragovich charges customers \$250 per hour for time spent preparing the additional documents.

56. Customers pay for Pragovich's materials and services in the form of money orders and postal orders made payable to either The National Trauma Center or National Justice Center.
57. Pragovich gives customer support and updates on the section 7433 lawsuit promotion via e-mail and weekly conference calls. The conference calls are attended by as many as 50 customers at a time and serve to answer questions posed by the customers regarding their section 7433 lawsuits.
58. Pragovich also presents briefings on the status of the section 7433 promotion during the conference calls, misrepresenting the progress of the promotion in an effort to keep customers in the scheme.
59. Once a customer's lawsuit is dismissed, Pragovich falsely states that he can get the suit "back on track" by preparing motions to reconsider, motions to vacate, amended complaints, and new complaints for the customer to file.
60. The average amount Pragovich charges for a section 7433 lawsuit, including subsequent legal work, research, and correspondence, is estimated to be \$7,500. Pragovich's estimated total earnings from selling the frivolous lawsuit scheme is estimated to be \$1,117,500.
61. Pragovich is (or has been) assisted by at least four other individuals in the promotion of the frivolous lawsuit scheme, including Joe Kinney, Eugene Kernan, Bart Rippl and Thomas Smith.

62. Joe Kinney and Bart Rippl prepare legal research and legal documents for Pragovich's customers. Rippl also assists with the customer conference calls.
63. Eugene Kernan is purportedly the legal advisor for NJC who also appears on the conference calls to answer customers' legal questions.
64. Kinney, Rippl and Kernan also communicate with customers via email in regard to the status of the frivolous lawsuit promotion.

Customers.

65. Customers from at least 35 states have used Pragovich's publications or services to file over 200 frivolous lawsuits in the U.S. District Court for the District of Columbia pursuant to 26 U.S.C. §§ 7433 and 7431.
66. Pragovich finds customers through customer lists obtained from Hardy and Kahn, as well as through website blogs relating to federal income tax. For example, frivolous lawsuit customers Robert Stewart of Bedford, Indiana, Daniel T. Smith of Plant City, Florida, and R. Scott Puhn of Poulsbo, Washington are all former clients of Lamarr Hardy.
67. Pragovich markets his scheme to individuals who have tax problems with the IRS. Almost every one of Pragovich's customers currently has outstanding federal income tax liabilities ranging from thousands to millions of dollars.
68. Well over half of Pragovich's customers have not filed federal income tax returns since the 1980s or 1990s, forcing the IRS to expend scarce resources to determine

the customers' income tax liabilities.

69. In addition, a number of Pragovich's customers have been convicted of tax fraud and/or impeding the IRS, including Bruce Travis, a real estate broker and resident of Maui, Hawaii. Travis is also a former client of Lamarr Hardy.

False Statements.

70. In promoting the frivolous lawsuit scheme, Pragovich falsely tells customers that he can fix their tax problems and, in addition, help customers obtain thousands of dollars from the government in damages, by assisting them in the filing of section 7431 and 7433 lawsuits.
71. Pragovich falsely tells customers that IRS Collection fails to properly follow the Internal Revenue Code sections and Treasury Regulations and that such purported failure allows customers to recover damages against the IRS pursuant to IRC §§ 7431 and/or 7433.
72. For example, Pragovich falsely tells customers that the IRS failed to properly assess tax against customers prior to starting the collection process by failing to provide a Form 23C assessment record to customers. Pragovich falsely claims that if the IRS does not provide the customer with a Form 23C, there is no assessment, and the customer does not have to pay any taxes. Pragovich further falsely claims that any attempt by the IRS to collect taxes from the customer without providing a copy of the Form 23C is a felony violation of collection procedure.

73. Pragovich's "Form 23C" argument is frivolous. Tax assessments are formally recorded on a record of assessment. IRC § 6203. The assessment is made by an assessment officer signing the summary record of assessment. Treas. Reg. §301.6203-1. There is no requirement that the assessment be recorded on a specific form or that a taxpayer be provided with a copy of the summary record of assessment before the IRS takes collection action against the taxpayer.
74. Pragovich also falsely tells customers that a tax assessment is invalid if the assessment was made from a substitute return.
75. However, pursuant to IRC § 6020, the IRS may prepare substitute returns for taxpayers who fail to do so themselves, including substitutes for Forms 1040, and any return prepared pursuant to section 6020 is considered prima facie good and sufficient for all legal purposes.
76. Pragovich also makes false and fraudulent statements concerning the tax benefits to be derived from his abusive scheme, including telling customers that if their lawsuit is successful, they will never have to file a federal income tax return or pay federal income taxes again.
77. In addition, Pragovich falsely tells customers that the section 7433 promotion will eliminate the IRS.
78. Further, Pragovich has stated to customers that he intends to "bury" the Department of Justice and the court system with at least 1,000 section 7433

lawsuits in ten separate jurisdictions.

Ongoing Activities

79. Despite repeated dismissals of the frivolous lawsuits by the D.C. District Court, Pragovich continues to promote the frivolous lawsuit scheme.
80. For example, Pragovich continues to provide documents to his customers to file in their pending and dismissed section 7433 lawsuits, including motions to vacate, motions for reconsideration, and amended complaints.
81. In addition, Pragovich has also continued to provide new frivolous section 7433 lawsuits to both old and new customers and to assist these customers with filing the new lawsuits with the Court.
82. For example, customer Timothy Morrow of Helena, Montana, filed his first frivolous section 7433 lawsuit on March 23, 2009. Customers Eric and Joan Bryant of Hoodriver, Oregon filed their second frivolous section 7433 lawsuit in August of 2009.
83. Further, at least five of the dismissed section 7433 lawsuits are currently on appeal in the D.C. Court of Appeals, and Pragovich provides frivolous documents to his customers to file with the appellate court in support of the appeal.
84. Moreover, beyond continuing his promotion of the frivolous lawsuit scheme, Pragovich has also taken efforts to impede the IRS investigation of the scheme.
85. For example, in 2008, the IRS issued summonses to 26 of Pragovich's customers

who had filed frivolous section 7433 lawsuits. Pragovich filed petitions to quash all 26 summons in 14 different judicial districts.

86. Pragovich's petitions to quash were frivolous, claiming that the IRS summons were issued for the improper purpose of chilling his First Amendment rights. All of Pragovich's petitions to quash have been dismissed.
87. The IRS also issued a summons to Pragovich in February 2008. The summons requested that Pragovich appear before an IRS agent on March 19, 2008, to give testimony and to produce documents related to the section 7433 promotion.
88. Pragovich did not comply with the summons, and the United States filed a petition to enforce the summons on September 17, 2008 in the Middle District of Tennessee.
89. The Court granted the government's petition to enforce in January 2009; even so, Pragovich again failed to provide any of the summonsed information and invoked the Fifth Amendment in response to almost every one of the 350 questions asked by the IRS.
90. Pragovich appealed the Court's order granting enforcement of the summons against him on January 12, 2009. That appeal is still pending before the United States Court of Appeals for the Sixth Circuit.

Harm to Public

91. Since 2005, over 200 frivolous section 7431 and section 7433 lawsuits have been filed in the D.C. District Court by Pragovich's customers in an effort to avoid the collection of federal income taxes and to impede the proper administration of the federal tax laws
92. Despite repeated dismissals by the Court, Pragovich continues to promote the frivolous lawsuit scheme, and frivolous documents and suits continue to be filed with the D.C. District Court.
93. In addition, Pragovich has attempted to impede the IRS' investigation of the frivolous lawsuit promotion by filing frivolous petitions to quash IRS summons issued to his customers and by failing to comply with IRS summons issued to him.
94. The United States is harmed by Pragovich's scheme because Pragovich's customers are attempting to avoid collection of federal income taxes and impede the proper administration of the federal tax laws.
95. Pragovich's scheme is also causing significant harm to the government by requiring a waste of time and resources by government attorneys and Court personnel. Such groundless litigation diverts time and energies from more serious claims and imposes needless costs on other litigants.
96. The Internal Revenue Service is harmed because it must dedicate scarce resources to defend itself against hundreds of frivolous lawsuits.

97. Further, Pragovich's frivolous lawsuit scheme has impeded proper administration of the federal tax laws, including the collection of taxes owed by Pragovich's customers.
98. In addition to the harm caused by Pragovich's promotion, Pragovich's activities undermine public confidence in the fairness of the federal tax system and incite non-compliance with the internal revenue laws.
99. The IRS estimates that Pragovich has generated over a million dollars in profit from his promotion of the frivolous lawsuit scheme.
100. Pragovich has continued to promote the scheme even after one of his associates was convicted for and another of his associates was enjoined from promoting similar tax fraud schemes.
101. If Pragovich is not enjoined, he is likely to continue to engage in conduct subject to penalty under IRS § 6700 and other conduct that substantially interferes with the enforcement of the internal revenue laws.

Count I

Injunction under IRC § 7408

102. Plaintiff incorporates by reference the allegations in paragraphs 1-101, above.
103. I.R.C. § 7408(a) authorizes a district court to enjoin any person from engaging in conduct subject to penalty under I.R.C. § 6700 if the person has engaged in such conduct and injunctive relief is appropriate to prevent recurrence of that conduct.

104. I.R.C. § 6700 imposes a civil penalty on any person who, in connection with organizing, promoting, or selling a plan or arrangement, or assisting in organizing, promoting or selling a plan or arrangement, makes a statement that the person knows or has reason to know is false or fraudulent as to the allowability of a deduction or credit, the excludability of any income, or the securing of any tax benefit by participation in the plan or arrangement.
105. Pragovich has organized and promoted, or assisted in organizing and promoting a plan or arrangement that is encouraging and assisting in the involvement of filing frivolous lawsuits which have the sole purpose of assisting customers attempting to avoid the collection of federal income taxes and to impede the proper administration of the federal tax laws.
106. In promoting and selling the frivolous lawsuit scheme, Pragovich has made materially false or fraudulent statements to customers regarding the internal revenue laws and the customers' tax liabilities and tax benefits the customers can purportedly obtain by participating in the scheme.
107. Based on Pragovich's false statements, scheme customers have filed hundreds of frivolous lawsuits with the District Court of the District of Columbia in an effort to avoid paying their income tax liabilities and to impede the IRS in the collection of their income tax liabilities.
108. Pragovich knew or had reason to know that he was making false or fraudulent

statements (within the meaning of I.R.C. § 6700) in connection with promoting the frivolous lawsuit scheme and that such false or fraudulent statements were material.

109. Pragovich has engaged in conduct subject to penalty under I.R.C. § 6700 and is subject to an injunction under I.R.C. § 7408.

Count II

Injunction under IRC §7402

110. Plaintiff incorporates by reference the allegations in paragraphs 1- 109, above.
111. I.R.C. §7402 authorizes a court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.
112. Pragovich, through the actions described above, has engaged in conduct that interferes substantially with the enforcement of the internal revenue laws.
113. If Pragovich is not enjoined, the United States will suffer irreparable harm because the harm caused by Pragovich's actions will continue.
114. While the United States will suffer irreparable injury if Pragovich is not enjoined, Pragovich will not be harmed by being compelled to obey the law.
115. The public interest would be advanced by enjoining Pragovich because an injunction will stop his illegal conduct and the harm that conduct is causing the United States Treasury and the public.
116. If Pragovich is not enjoined, he is likely to continue to interfere with the

enforcement of the internal revenue laws. Pragovich has a history of involvement with tax fraud schemes and of disregard for the internal revenue laws.

117. An injunction under §7402 is necessary and appropriate, and the United States is entitled to injunction relief under I.R.C. §7402.

Relief Sought

WHEREFORE, the plaintiff, the United States of America, respectfully prays as follows:

A. That the Court find that Pragovich has engaged in conduct subject to penalty under IRC § 6700, and that injunctive relief is appropriate under I.R.C. § 7408 to prevent Pragovich and anyone acting in concert with him from engaging in any further such conduct;

B. That the Court find that Pragovich has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against him and his representatives, agents, servants, employees, attorneys, and anyone acting in concert with him is appropriate to prevent the recurrence of that conduct under the Court's inherent equity powers and I.R.C. § 7402(a);

C. That the Court, under I.R.C. §§ 7402 and 7408 enter a permanent injunction prohibiting Pragovich as well as his agents, servants, employees, attorneys, and anyone in active concert or participation with him from directly or indirectly:

(1) Organizing, promoting, marketing, or selling the frivolous IRC §§ 7431 and 7433 lawsuit scheme or any other frivolous lawsuit scheme, plan, or other arrangement

that advises or assists customers to attempt to harass the IRS, to harass the Justice Department, to file frivolous lawsuits, to violate the internal revenue laws or to unlawfully evade the assessment or collection of their federal tax liabilities;

(2) Providing legal advice or legal assistance to anyone, including:

(a) providing others with legal research, pre-drafted complaints or pre-drafted motions; or

(b) assisting others with filing documents with any Court;

(3) Providing advice or assistance on federal tax matters to anyone, including providing others with pre-drafted letters addressed to the IRS;

(4) Telling anyone that the IRS improperly assesses tax against individuals by starting the collection process without first providing a Form 23C assessment record to those individuals;

(5) Telling anyone that if the IRS does not provide an individual with a Form 23C, there is no assessment, and the individual does not have to pay any taxes;

(6) Telling anyone that any attempt by the IRS to collect taxes from an individual without providing a copy of the Form 23C is a felony violation of collection procedure;

(7) Telling anyone that a tax assessment is invalid if the assessment was made from a substitute return;

(8) Making false statements about the allowability of any deduction or credit, the excludability of any income, or the securing of any tax benefit by the reason of

participating in his frivolous IRC §§ 7431 and 7433 lawsuit scheme or any other lawsuit scheme, plan or arrangement, including telling anyone that if their section 7433 and/or section 7431 lawsuit is successful, they will never have to file a federal income tax return or pay federal income taxes again;

(9) Engaging in any other conduct subject to penalty under I.R.C. § 6700, including making or furnishing, in connection with the organization or sale of a tax shelter, plan or arrangement, a statement about the securing of tax benefits that they know or have reason to know is false or fraudulent as to any material matter;

(10) Engaging in conduct designed or intended to, or having the effect of, obstructing or delaying any Internal Revenue Service investigation or audit; and

(11) Engaging in any other conduct subject to penalty under any penalty provision of the IRC, or engaging in any other conduct that interferes with the administration and enforcement of the internal revenue laws.

D. That the Court, pursuant to I.R.C. § 7402, enter an injunction requiring Pragovich at his own expense to contact by mail (or by e-mail, if a mailing address is unknown) all customers who have participated in his frivolous lawsuit promotion and inform them of the Court's findings concerning the falsity of Pragovich's representations and attach a copy of the permanent injunction, and to file with the Court and serve on government counsel, within 20 days of the date when the permanent injunction is entered, a certification signed under penalty of perjury stating that he has done so and listing the

names and addresses of the persons so notified;

E. That the Court allow the United States full post-judgment discovery to monitor compliance with the injunction;

F. That the Court retain jurisdiction over this action for purpose of implementing and enforcing the final judgment and any additional orders necessary and appropriate to the public interest; and

G. That the Court grant the United States such other and further relief as the Court deems appropriate.

Respectfully submitted,

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