FILED
2005 OCT 13 PM 3:56
U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO, FLORIDA

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	6:05cv1547-Orl-22KRS
v.	)	
	)	
JAMES KENT LANSING, individually and d/b/a SOLE RESOURCES,	)	
	)	
Defendant.	)	

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

The United States of America, plaintiff, for its Complaint states as follows.

Nature of Action

1. The United States is bringing this complaint to enjoin James Kent Lansing, individually and doing business as Sole Resources or through any other entity, and any other person in active concert or participation with him, from directly or indirectly:

(a) Organizing, promoting, marketing, or selling any abusive tax shelter, plan or arrangement that advises or encourages customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including his corporation sole program;

(b) 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 such tax shelters, plans or arrangements;

(c) Encouraging, instructing, advising or assisting others to violate the tax laws, including to evade the payment of taxes;

(d) Engaging in conduct subject to penalty under 26 U.S.C. § 6700, *i.e.*, by

making or furnishing, in connection with the organization or sale of an abusive shelter, plan, or arrangement, a statement the defendant knows or has reason to know to be false or fraudulent as to any material matter under the federal tax laws;

(e) Engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws, and engaging in any activity subject to penalty under the Internal Revenue Code.

2. An injunction is warranted based on the defendant's continuing conduct as a promoter of an abusive tax plan. If not enjoined, the defendant's continuing actions will result in the Internal Revenue Service having to devote scarce resources to attempt to locate and investigate the defendant's customers, who by participation in the defendant's scheme have erroneously stopped filing accurate federal income tax returns and paying their federal income taxes. The defendant's actions, if not stopped, may result in penalties and other civil and criminal sanctions being imposed on those customers.

Jurisdiction and Venue

3. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345, and §§ 7402(a) and 7408 of the Internal Revenue Code of 1986 (26 U.S.C.) ("Code").

4. Venue is proper in this Court pursuant to 28 U.S.C. § 1391.

Authorization

5. This action has been requested by a delegate of the Secretary of Treasury and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to Code §§ 7402 and 7408.

Defendant

6. James Kent Lansing resides in Rockledge, Florida.

Defendant's Activities

7. Lansing conducted business through an entity known as Sole Resources. Sole Resources' address was 1980 N. Atlantic Avenue, Suite 602, Cocoa Beach, Florida. Lansing was the chief financial officer and "incorporation consultant" for Sole Resources.

8. Lansing markets a program or arrangement known as a "corporation sole" as a means to evade the reporting and payment of federal income taxes, as well as a means to conceal assets and thereby evade estate and inheritance taxes and IRS collection efforts.

9. Corporations sole are authorized under the laws of some states to enable religious leaders to hold property and conduct business for the benefit of the religious entity (as opposed to the benefit of the office holder, or entity creator, himself). Rev. Rul. 2004-27, 2004-1 C.B. 625, 626. Title to property that vests in the office holder as a corporation sole passes to the successors to the office by operation of law (not to the office holder's heirs). The purpose of a corporation sole is to ensure continuity of ownership of property dedicated to the benefit of a religious organization.

10. Corporations sole do not bestow a special tax status on their creators. However, Lansing falsely tells customers that his corporations sole provide significant tax advantages and can eliminate or reduce customers' federal tax liabilities. Lansing markets his corporation sole program as a tax dodge.

11. In order to receive special tax status, an entity must independently qualify as a religious or charitable organization under Code § 501(c)(3). Lansing falsely tells customers that his corporations sole do not have to qualify under that statute in order to enjoy tax-

exempt status.

12. Lansing falsely advises customers that they can treat their corporations sole as a "church" with no tax return filing requirement, and yet can control and use the assets and income of the corporation sole for their own personal benefit.

13. Lansing falsely advises participants that corporations sole that are used for the participants' personal benefit are tax exempt, do not need to file tax returns of any kind, and do not need to keep records. Lansing also falsely states that a corporation sole's tax-exempt status cannot be challenged by the Government.

14. Lansing falsely states that participants can make donations to their corporations sole and then deduct the donations on the participants' federal income tax returns, in the event returns are filed.

15. Lansing falsely advertises that a customer who has a corporation sole can assign his income to the entity and thereby transform taxable individual income into nontaxable income of the corporation sole.

16. Lansing falsely states that a corporation sole can be engaged in any occupation, business or profession, and that all earnings therefrom are tax exempt, and that no return need be filed. Lansing targets those who "are seeking to establish a business;" "own real estate, stocks or securities;" or "have an income of $75,000 or more per year."

17. Lansing touts participating in the corporation sole program as a mechanism that enables participants to conceal assets and income from creditors.

18. Lansing's promotional literature lists the following so-called benefits of the

corporation sole program:

- You can protect valuable assets, such as real estate.
- You can legally generate income without any reporting requirements.
- You can eliminate any interference with inheritance.
- You can protect your assets from unnecessary government interference and taxation.
- The program allows donors to claim tax deductions.

19. Lansing's statements about the tax benefits associated with the corporations sole are false and fraudulent.

20. The effect of Lansing's corporation sole promotion is that the participant lives in the same residence and operates the same business activity, as he did prior to joining the program. All living expenses of the participant and his family are paid from compensation earned from the participant's business activity, the same as it was prior to the creation of the corporation sole. The participant receives the full benefit of, and has full control over, all corporation sole funds. The only substantive change in the participants' regular business and lifestyle activities is the alleged benefit of no taxation.

21. The corporations sole that Lansing markets are operated for the benefit of the owner, are devoid of economic substance and are shams for federal tax purposes. The program constitutes an improper assignment of income and a fraudulent transfer of assets.

22. Lansing marketed the program through seminars, brochures and on the internet, including at the website www.soleresources.org.

23. Lansing describes himself in promotional literature as a "business owner and tax

consultant [with] widespread expertise in understanding government regulations and verifying compliance."

24. Lansing charges customers $5,000 to purchase his corporation sole program. The IRS has identified over 50 persons who have purchased the defendant's program.

25. The corporation sole program is identified in the IRS's annual consumer alert of tax scams that taxpayers are urged to avoid. (*See* http://www.irs.gov/newsroom/article/0,,id=136337,00.html.)

Count I
Injunction under Code § 7408 for violations of Code § 6700

26. The United States incorporates by reference the allegations contained in paragraphs 1 through 25.

27. Code § 7408 authorizes a court to enjoin persons who have engaged in conduct subject to penalty under Code § 6700 from engaging in further such conduct or any other conduct subject to penalty under the Code.

28. Code § 6700 imposes a penalty on any person who organizes or sells 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 that the person knows or has reason to know is false or fraudulent as to any material matter.

29. Lansing organizes and sells abusive tax schemes. In organizing and selling his abusive tax scheme, Lansing makes statements regarding the tax benefits associated with participation in the scheme that he knows are false or fraudulent as to material matters

within the meaning of Code § 6700.

30. Unless enjoined by this Court, the defendant is likely to continue to organize and sell his abusive tax schemes.

Count II
Injunction under Code § 7402

31. The United States incorporates by reference the allegations contained in paragraphs 1 through 25.

32. Code § 7402 authorizes Courts to issue injunctions as may be necessary or appropriate for the enforcement of the internal revenue laws.

33. Lansing, through the actions described above, has engaged in conduct that interferes substantially with the administration and enforcement of the internal revenue laws.

34. Lansing's conduct results in irreparable harm to the United States and the United States has no adequate remedy at law. Lansing's conduct is causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may be unrecoverable.

35. Unless the defendant is enjoined, the IRS will have to devote substantial time and resources to identify and locate his customers, and then construct and examine those persons' tax returns and liabilities. The burden of pursuing individual customers may be an insurmountable obstacle, given the IRS's limited resources.

36. If Lansing is not enjoined, he likely will continue to engage in conduct that obstructs and interferes with the enforcement of the internal revenue laws.

Relief Sought

WHEREFORE, the United States prays for the following relief:

A. That the Court find that the defendant has engaged in conduct subject to penalty under Code § 6700, and that injunctive relief is appropriate under Code § 7408 to prevent the defendant, and any business or entity through which he operates, and anyone acting in concert with him, from engaging in further such conduct;

B. That the Court find that the defendant has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against the defendant, and any business or entity through which he operates, and anyone acting in concert with him, is appropriate to prevent the recurrence of that conduct pursuant to the Court's powers under Code § 7402(a);

C. That the Court, pursuant to Code §§ 7402 and 7408, enter a permanent injunction prohibiting the defendant, individually and doing business through Sole Resources or any other entity, and his representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with him, from directly or indirectly:

(1) Organizing, promoting, marketing, or selling any abusive tax shelter, plan or arrangement that advises or encourages taxpayers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including his corporation sole program;

(2) 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 such tax shelters, plans or arrangements;

(3) Encouraging, instructing, advising or assisting others to violate the tax laws, including to evade the payment of taxes;

(4) Engaging in conduct subject to penalty under Code § 6700, *i.e.*, by making or furnishing, in connection with the organization or sale of an abusive shelter, plan, or arrangement, a statement the defendant knows or has reason to know to be false or fraudulent as to any material matter under the federal tax laws; and

(5) Engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws, and engaging in any conduct subject to penalty under any other section of the Internal Revenue Code.

D. That this Court, pursuant to Code § 7402, enter an injunction requiring defendant to contact by mail (or by e-mail, if an address is unknown) all individuals who have previously purchased his abusive tax shelters, plans, arrangements or programs, and inform those individuals of the Court's findings concerning the falsity of the defendant's prior representations and attach a copy of the permanent injunction against the defendant, and to file with the Court, within 20 days of the date the permanent injunction is entered, a certification that he has done so;

E. That this Court order that the United States is permitted to engage in post-judgment discovery to ensure compliance with the permanent injunction;

F. That this Court retain jurisdiction over this action for purposes of implementing and enforcing the final judgment; and

G. For such other and further relief as this Court may deem proper and just.

Dated: October 12, 2005.

Respectfully submitted,

PAUL I. PEREZ
United States Attorney

MARTIN M. SHOEMAKER
Trial Attorney, Tax Division
U.S. Department of Justice
Post Office Box 7238
Washington, D.C. 20044
Telephone: (202) 514-6491
Fax: (202) 514-6770
martin.m.shoemaker@usdoj.gov

JS 44 (Rev. 11/04)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

UNITED STATES OF AMERICA

(b) County of Residence of First Listed Plaintiff _____
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number)

Martin Shoemaker, U.S. Dept. of Justice, Tax Division, P.O. Box 7238
Washington, D.C. 20044, (202) 514-6491

DEFENDANTS

JAMES KENT LANSING, indiv. and dba Sole Resources

County of Residence of First Listed Defendant Brevard
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- ☒ 1 U.S. Government Plaintiff
- ☐ 2 U.S. Government Defendant
- ☐ 3 Federal Question (U.S. Government Not a Party)
- ☐ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant) (For Diversity Cases Only)

	PTF	DEF		PTF	DEF
Citizen of This State	☐ 1	☐ 1	Incorporated *or* Principal Place of Business In This State	☐ 4	☐ 4
Citizen of Another State	☐ 2	☐ 2	Incorporated *and* Principal Place of Business In Another State	☐ 5	☐ 5
Citizen or Subject of a Foreign Country	☐ 3	☐ 3	Foreign Nation	☐ 6	☐ 6

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT
- ☐ 110 Insurance
- ☐ 120 Marine
- ☐ 130 Miller Act
- ☐ 140 Negotiable Instrument
- ☐ 150 Recovery of Overpayment & Enforcement of Judgment
- ☐ 151 Medicare Act
- ☐ 152 Recovery of Defaulted Student Loans (Excl. Veterans)
- ☐ 153 Recovery of Overpayment of Veteran's Benefits
- ☐ 160 Stockholders' Suits
- ☐ 190 Other Contract
- ☐ 195 Contract Product Liability
- ☐ 196 Franchise

REAL PROPERTY
- ☐ 210 Land Condemnation
- ☐ 220 Foreclosure
- ☐ 230 Rent Lease & Ejectment
- ☐ 240 Torts to Land
- ☐ 245 Tort Product Liability
- ☐ 290 All Other Real Property

TORTS

PERSONAL INJURY
- ☐ 310 Airplane
- ☐ 315 Airplane Product Liability
- ☐ 320 Assault, Libel & Slander
- ☐ 330 Federal Employers' Liability
- ☐ 340 Marine
- ☐ 345 Marine Product Liability
- ☐ 350 Motor Vehicle
- ☐ 355 Motor Vehicle Product Liability
- ☐ 360 Other Personal Injury

PERSONAL INJURY
- ☐ 362 Personal Injury - Med. Malpractice
- ☐ 365 Personal Injury - Product Liability
- ☐ 368 Asbestos Personal Injury Product Liability

PERSONAL PROPERTY
- ☐ 370 Other Fraud
- ☐ 371 Truth in Lending
- ☐ 380 Other Personal Property Damage
- ☐ 385 Property Damage Product Liability

CIVIL RIGHTS
- ☐ 441 Voting
- ☐ 442 Employment
- ☐ 443 Housing/ Accommodations
- ☐ 444 Welfare
- ☐ 445 Amer. w/Disabilities - Employment
- ☐ 446 Amer. w/Disabilities - Other
- ☐ 440 Other Civil Rights

PRISONER PETITIONS
- ☐ 510 Motions to Vacate Sentence

Habeas Corpus:
- ☐ 530 General
- ☐ 535 Death Penalty
- ☐ 540 Mandamus & Other
- ☐ 550 Civil Rights
- ☐ 555 Prison Condition

FORFEITURE/PENALTY
- ☐ 610 Agriculture
- ☐ 620 Other Food & Drug
- ☐ 625 Drug Related Seizure of Property 21 USC 881
- ☐ 630 Liquor Laws
- ☐ 640 R.R. & Truck
- ☐ 650 Airline Regs.
- ☐ 660 Occupational Safety/Health
- ☐ 690 Other

LABOR
- ☐ 710 Fair Labor Standards Act
- ☐ 720 Labor/Mgmt. Relations
- ☐ 730 Labor/Mgmt.Reporting & Disclosure Act
- ☐ 740 Railway Labor Act
- ☐ 790 Other Labor Litigation
- ☐ 791 Empl. Ret. Inc. Security Act

BANKRUPTCY
- ☐ 422 Appeal 28 USC 158
- ☐ 423 Withdrawal 28 USC 157

PROPERTY RIGHTS
- ☐ 820 Copyrights
- ☐ 830 Patent
- ☐ 840 Trademark

SOCIAL SECURITY
- ☐ 861 HIA (1395ff)
- ☐ 862 Black Lung (923)
- ☐ 863 DIWC/DIWW (405(g))
- ☐ 864 SSID Title XVI
- ☐ 865 RSI (405(g))

FEDERAL TAX SUITS
- ☒ 870 Taxes (U.S. Plaintiff or Defendant)
- ☐ 871 IRS—Third Party 26 USC 7609

OTHER STATUTES
- ☐ 400 State Reapportionment
- ☐ 410 Antitrust
- ☐ 430 Banks and Banking
- ☐ 450 Commerce
- ☐ 460 Deportation
- ☐ 470 Racketeer Influenced and Corrupt Organizations
- ☐ 480 Consumer Credit
- ☐ 490 Cable/Sat TV
- ☐ 810 Selective Service
- ☐ 850 Securities/Commodities/ Exchange
- ☐ 875 Customer Challenge 12 USC 3410
- ☐ 890 Other Statutory Actions
- ☐ 891 Agricultural Acts
- ☐ 892 Economic Stabilization Act
- ☐ 893 Environmental Matters
- ☐ 894 Energy Allocation Act
- ☐ 895 Freedom of Information Act
- ☐ 900Appeal of Fee Determination Under Equal Access to Justice
- ☐ 950 Constitutionality of State Statutes

V. ORIGIN (Place an "X" in One Box Only)

- ☒ 1 Original Proceeding
- ☐ 2 Removed from State Court
- ☐ 3 Remanded from Appellate Court
- ☐ 4 Reinstated or Reopened
- ☐ 5 Transferred from another district (specify)
- ☐ 6 Multidistrict Litigation
- ☐ 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (**Do not cite jurisdictional statutes unless diversity**):
26 U.S.C. secs. 7402(a) and 7408

Brief description of cause:
Civil action for permanent injunction against tax shelter promoter

VII. REQUESTED IN COMPLAINT:

☐ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND $

CHECK YES only if demanded in complaint:
JURY DEMAND: ☐ Yes ☒ No

VIII. RELATED CASE(S) IF ANY (See instructions): JUDGE _____ DOCKET NUMBER _____

DATE 10-12-05

SIGNATURE OF ATTORNEY OF RECORD

FOR OFFICE USE ONLY

RECEIPT # _____ AMOUNT _____ APPLYING IFP _____ JUDGE _____ MAG. JUDGE _____