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11 IN THE UNITED STATES DISTRICT COURT FOR THE  
12 EASTERN DISTRICT OF CALIFORNIA  
13 FRESNO DIVISION

14 UNITED STATES OF AMERICA, )  
15 )  
16 Plaintiff, )  
17 )  
18 v. ) Civil No.  
19 )  
20 LOWELL BAISDEN, )  
21 )  
22 Defendant. )

23 **COMPLAINT FOR PERMANENT INJUNCTION**

24 Plaintiff, United States of America brings suit against Defendant Lowell Baisden for a  
25 permanent injunction pursuant to I.R.C. §§ 7402, 7407, and 7408.

26 1. This action has been requested by the Chief Counsel of the Internal Revenue Service  
27 (IRS), a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate  
28 of the Attorney General, pursuant to the provisions of I.R.C. (26 U.S.C.) §§ 7402, 7407, and  
7408.

Jurisdiction and Venue

2. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and I.R.C.  
§§ 7402(a), 7407 and 7408.

3. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1391 and 1396 because  
defendant Lowell Baisden is a resident of Bakersfield, California, within this district. Baisden  
operates his business from his residence.

1 Defendant and Basic Facts

2 4. Defendant Lowell Baisden is a Certified Public Accountant (CPA) and income tax  
3 return preparer engaged in the unlawful promotion of a tax scheme whereby he gives customers  
4 false and fraudulent tax advice regarding the allowability of deductions, the excludability of  
5 income, and other purported tax benefits. Baisden prepares customers' federal income tax  
6 returns consistent with his scheme, mischaracterizing wage and self-employment income, falsely  
7 claiming business deductions for personal non-deductible expenses, and otherwise understating  
8 customers' actual income by failing to report their self-employment and social security tax  
9 liability. In addition, in representing customers in proceedings before the IRS, Baisden engages  
10 in a strategy to obstruct and interfere with the enforcement of the internal revenue.

11 5. The United States seeks an injunction prohibiting Baisden from: (a) promoting his  
12 current schemes and any other investment, business venture, or other plan or arrangement and in  
13 connection therewith making false or fraudulent representations about federal tax benefits or  
14 treatment, (b) engaging in any other activity subject to penalty under I.R.C. §§ 6700 and 6701, or  
15 any other penalty provision in the I.R.C., (c) preparing, assisting, or filing federal income tax  
16 returns, amended returns, or other related documents and forms for others, (d) causing other  
17 persons or entities to understate their federal tax liabilities and avoid paying lawfully owed  
18 federal taxes, (e) engaging in any other activity subject to penalty under I.R.C. §§ 6694 and  
19 6695, and (f) engaging in any other conduct that interferes with the administration or  
20 enforcement of the internal revenue laws.

21 Baisden's Initial Scheme

22 6. Baisden has been involved in accounting and tax practice since approximately 1970.  
23 He has been licensed as a CPA in California since 1978, and in Utah since 1994.

24 7. Baisden promotes his unlawful tax scheme individually and through Arcturus  
25 Corporation.

26 8. Beginning in 1999, Baisden worked as an accountant for one customer, a physician in  
27 North Platte, Nebraska who is related to Baisden by marriage, and the physicians's medical  
28

1 practice. As the accountant, Baisden prepared wage and tax statements for the medical  
2 practice's employees.

3 9. Baisden began promoting his tax scheme by providing false tax advice to the  
4 physician on how to reduce his tax liability by evading self-employment taxes and unlawfully  
5 deducting personal expenses as purported business expenses. Baisden falsely advised the  
6 physician that he could decrease his income tax liability by assigning his income from the  
7 medical practice to a sham corporation that Baisden and the physician incorporated in Nevada in  
8 1999.

9 10. Baisden and the physician used the sham corporation to pay for many of the  
10 Nebraska physician's personal expenses, and prepared federal income tax returns for the sham  
11 corporation reporting large deductions for these non-deductible expenses and a minimal tax  
12 liability for the company. Baisden failed to report the corporation's payment of the physician's  
13 expenses as constructive dividends on the physician's federal income tax returns, and mis-  
14 classified the physician's other income as rental income rather than wage or business income.  
15 (Rental income is not subject to self-employment tax.)

16 11. Baisden prepared the physician's 1999 through 2003 income tax returns and failed to  
17 report the physician's liability for social security, medicare, and self-employment taxes due on  
18 his income from the medical practice. Baisden also falsely reported on the Nevada corporation's  
19 federal tax returns that the corporation was in the forestry business, though it was not engaged in  
20 any real business activity.

21 12. The North Platte physician helped Baisden promote this scheme to others by  
22 referring the medical practice's employees and co-workers, among others, to Baisden for tax  
23 advice and return preparation in 2002 and 2003. Baisden paid the physician referral fees.

24 13. Before the North Platte physician referred several of his employees and co-workers  
25 to Baisden, Baisden had him falsely classify the employees as independent contractors rather  
26 than employees.

1 14. Baisden advised the physician regarding the employment classification so that, after  
2 recruiting the nurses and other medical employees to participate in his scheme, Baisden could  
3 assign the employees' earned income to sham corporations he helped them establish rather than  
4 reporting all their income as employment income on their federal income tax returns. In fact, the  
5 employees were not independent contractors and Baisden prepared wage statements and tax  
6 returns for them incorrectly classifying their employment status and misstating their tax liability.

7 Baisden's Expanded Promotion Scheme

8 15. In 2002, Baisden began promoting his tax-fraud scheme to other physicians and  
9 nurses in Nebraska and to customers in California. Since 2002, Baisden has recruited at least six  
10 customers in California and eight customers in Nebraska to participate in his scheme. Baisden  
11 prepares federal income tax returns for the individual customers as well as their sham  
12 corporations.

13 16. In promoting his scheme, Baisden advises and assists customers to create and  
14 incorporate sham corporations in Nevada to which he can assign their wage and self-employment  
15 income. A relative of the North Platte physician, who formerly lived in Nevada, acted as a  
16 registered agent and president for many of the corporations.

17 17. Baisden tells customers that by establishing a corporation, they can lawfully deduct  
18 otherwise non-deductible personal expenses on their federal income tax returns. Baisden advises  
19 customers that they can claim business deductions for costs related to the upkeep of their  
20 personal residences, their personal computers and other equipment, personal vacations, their  
21 personal vehicles and other expenses unrelated to the purported business of the corporations.

22 18. Many of the corporations are not engaged in any genuine business activity and are  
23 therefore not valid corporations for which deductions or other tax benefits may be claimed.

24 19. Once he helps customers establish sham corporations, Baisden prepares tax returns  
25 for the corporations falsely claiming that they are engaged in various business activities. For  
26 many corporations, Baisden reports that they are in the real estate business though the  
27 corporations do not own any property or conduct real estate activities. Baisden advised at least  
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1 one Nebraska customer to purchase inexpensive property so that he could report that the sham  
2 corporation was engaged in the real estate business.

3 20. Instead, Baisden uses the corporations' bank accounts to pay for customers' personal  
4 expenses, including expenses related to the construction and upkeep of customers' personal  
5 residences. Baisden then prepares federal income tax returns for the corporations falsely  
6 claiming that the funds spent on customers' personal residences and properties are business  
7 expenses.

8 21. Following Baisden's advice, customers send him receipts and other documentation  
9 of personal expenses, which he then unlawfully claims as business expenses on the corporate and  
10 individual tax returns he prepares for them.

11 22. Baisden consistently advises customers that they can avoid self-employment and  
12 social security taxes by assigning their income to the corporations, and claiming only a portion  
13 of their income individually. Baisden prepares customers' individual income tax returns, failing  
14 to report all of the income customers earn from their employment activities. Instead, Baisden  
15 assigns much of customers' individual income to the sham corporations and reports that the  
16 corporations pays each individual customer a yearly expense for rent or royalties.

17 23. In fact, Baisden's customers typically do not have rental agreements with the  
18 corporations they own, and the amounts Baisden reports as rental income on customers' income  
19 tax returns are simply arbitrary, fabricated amounts. In many cases, Baisden's customers do not  
20 rent any property and do not receive any income from property rental, but instead earn most of  
21 their income from their employment. Similarly, the customers for whom Baisden reported  
22 royalty income are not engaged in any royalty-earning activities and earned the great majority of  
23 their income from employment or other sources Baisden does not report.

24 24. Baisden mischaracterizes income customers earn from employment activities as  
25 rental or royalty income on their federal income tax returns, thereby understating customers' tax  
26 liability by failing to report tax liability for self-employment or social security taxes due on the  
27 earned income.

1 25. Baisden also advises customers to request that their employer stop withholding taxes,  
2 or to reduce the amount of taxes withheld because he claims they will owe less taxes by  
3 participating in his scheme.

4 26. Baisden advises customers to transfer their personal assets to the sham Nevada  
5 corporations or other fictitious corporations he creates and classify the assets as joint ventures.  
6 Upon classifying customers' assets as joint ventures, Baisden falsely advises customers that they  
7 are eligible to claim expenses related to the upkeep of the assets as business expenses, though the  
8 corporations are not actually engaged in any business venture.

9 27. Finally, after Baisden unlawfully offsets large amounts of customers' income by  
10 reporting improper deductions on corporate and individual income tax returns, Baisden prepares  
11 customers' individual income tax returns falsely claiming any residual income as royalty or  
12 rental income earned from the fictitious corporation, rather than as employment income derived  
13 from their work. Baisden understates customers' tax liabilities by falsely reporting their  
14 employment income as rental and royalty income for which no self-employment or social  
15 security taxes are owed.

16 28. Baisden also falsely advised several customers to establish fictitious Schedule C or  
17 Schedule F businesses, and to claim non-business-related expenses as business expenses in order  
18 to decrease their reported tax liability. Baisden falsely advised at least one customer that her  
19 hobby-related expenses qualified as business expenses, and he prepared her federal income tax  
20 returns claiming unlawful deductions. For another customer, Baisden falsely reported Schedule  
21 F farm expenses on her tax return when the customer did not actually operate a farm as a  
22 business.

23 29. Since the IRS began requesting information from Baisden's customers in 2004,  
24 Baisden has formed at least two Wyoming corporations on behalf of Nebraska physicians for  
25 whom he prepared fraudulent income tax returns for the years 2002 and 2003.

26 30. Baisden charges customers fees between \$5,000 and \$6,000 to set up sham  
27 corporations and for the tax advice he provides. In addition, customers pay him between \$1,000  
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1 and \$2,500 monthly for doing accounting work and bookkeeping related to his scheme, and for  
2 preparing their federal income tax returns.

3 Arcturus Scam

4 31. In a related tax scam, Baisden and the North Platte physician helped to create  
5 Arcturus Corporation in 2002, through which Baisden further provides false tax advice to  
6 customers. Operating through Arcturus, Baisden began promoting his tax scheme on Arcturus's  
7 website in 2002, gearing the promotion primarily for professionals and business owners with  
8 incomes over \$200,000.

9 32. At least two of Baisden's Nebraska customers also participate in the Arcturus scam.

10 33. Baisden advises customers to divert portions of their income to Arcturus in order to  
11 decrease their individual federal income tax liability. Baisden advises customers that on  
12 contributing money to Arcturus, they can withdraw their purportedly invested funds at any time  
13 with substantial tax savings.

14 34. Baisden falsely advises customers that they are not liable for social security taxes or  
15 employment income taxes on their earnings diverted to Arcturus in the year in which the money  
16 is earned. Baisden also falsely advises customers that they are not liable for the social security  
17 or employment taxes in the year in which any diverted income is withdrawn.

18 35. Baisden then prepares Arcturus customers' individual federal income tax returns, and  
19 improperly fails to report the customers' income diverted to Arcturus. When customers  
20 withdraw their funds from Arcturus, Baisden falsely reports withdrawn income on the  
21 customers' federal income tax returns as return on a capital investment.

22 36. Baisden retains a portion of the funds customers "invest" in Arcturus for his fee.

23 Baisden's Tax Return Preparation

24 37. In addition to providing false tax advice to customers, Baisden also creates the sham  
25 corporations for customers, assists and does the paperwork for customers to transfer income and  
26 assets, and drafts sham joint-venture agreements. He also prepares customers' federal income  
27 tax returns on which he improperly claims the personal expenses as business expenses, fails to  
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1 report customers' self-employment tax liability, claims residual income as rental or royalty  
2 income, and otherwise mischaracterizes the nature of the sham corporations and customers'  
3 income.

4 38. Between 2001 and 2003, Baisden prepared and signed over 130 tax returns for  
5 customers, including at least 33 corporate returns.

6 39. In 2003, the IRS began investigating Baisden's involvement in improper promoter  
7 activities, and his involvement in the preparation of false and fraudulent tax returns. The  
8 investigation concerned Baisden's liability for penalties under I.R.C. §§ 6694, 6695, 6700, and  
9 6701.

10 40. When Baisden became aware that the IRS was examining his customers' returns in  
11 conjunction with the § 6700 investigation, Baisden routinely stopped filing the income tax  
12 returns and meeting the deadlines for filing customers' returns. Despite being listed as the  
13 Power of Attorney for many of his customers, Baisden has not filed tax returns for customers  
14 because of his concerns about the § 6700 investigation and his individual liability. Although the  
15 extended due dates for many of the returns (for tax year 2004) expired in October 2005, Baisden  
16 has still failed to file 2004 tax returns for many of the customers for whom he was retained to  
17 prepare returns.

18 41. Baisden has prepared federal income tax returns for at least one Nebraska customer  
19 and two California customers for the years 2004 and/or 2005 consistent with his illegal tax  
20 scheme.

21 42. The IRS has thus far preliminarily examined the tax liabilities of twelve Baisden  
22 customers (five of whom are physicians), covering tax years 1999 through 2004. Those  
23 preliminary examinations revealed that Baisden understated the twelve customers' tax liabilities  
24 by a total of more than \$3 million. The estimated harm to the United States from Baisden's  
25 misconduct with respect to all customers is much greater. The IRS has not yet examined all  
26 customer returns and determined the taxes and accompanying penalties and interest owed.

Baisden's Power of Attorney Activities

1  
2  
3 43. In addition to providing false tax advice and preparing fraudulent returns, Baisden  
4 also enters into power-of-attorney agreements with customers to represent them during the IRS  
5 examination process.

6 44. After becoming aware of Baisden's unlawful promoter and preparer activities, the  
7 IRS issued summonses to many of Baisden's customers to obtain information to determine their  
8 correct tax liabilities as well as to determine Baisden's involvement in the promotion of the tax-  
9 fraud scheme and in preparing fraudulent tax returns.

10 45. Baisden, in representing customers under IRS examination, improperly delays and  
11 obstructs the examinations and attempts to intimidate IRS employees.

12 46. For example, to delay the IRS, Baisden files numerous Forms 911 or Applications  
13 for Taxpayer Assistance Orders in response to IRS summonses issued to his customers. An IRS  
14 Form 911 is used if a taxpayer believes that a significant hardship exists in complying with a  
15 summons, and serves as a request for the IRS Taxpayer Advocate to review the case to determine  
16 what action should be taken to relieve the hardship. Baisden files baseless Forms 911 on behalf  
17 of his customers, which causes the IRS and the Taxpayer Advocate's office to commit  
18 significant resources to investigate the filings. All of Baisden's Form 911 filings were filed in  
19 bad faith and have been found to be baseless.

20 47. Baisden further delays IRS examinations of his customers by repeatedly scheduling  
21 meetings and then failing to attend or failing to bring requested documents. Baisden advises his  
22 customers not to comply with IRS summonses or submit records pursuant to IRS requests when  
23 there is no good-faith basis for giving such advice. Baisden also routinely refuses without good  
24 cause to produce documents he has as the customer's Power of Attorney.

25 48. In several instances, Baisden refused to allow his customers to discuss their income  
26 taxes with IRS employees though he had not submitted the necessary paperwork to represent the  
27 customers as a Power of Attorney. When several customers did agree to meet with IRS

1 employees in person, they called Baisden for advice and/or information during the meetings and  
2 subsequently failed to provide information necessary to the IRS investigations.

3 49. Baisden also makes affirmative misstatements to IRS employees so as to further  
4 delay or halt IRS examinations. After the IRS began investigating his customers' returns,  
5 Baisden falsely told an IRS revenue agent in 2004 that the investigation had concluded and that  
6 his activities were found to be legal. In fact, no determination of legality had yet been made, and  
7 the IRS had not told Baisden that any determination had been made. Based on these false  
8 statements, Baisden demanded that the agents stop examining his customers' tax information.  
9 Baisden's false statements caused the IRS further delay in investigating his liability for penalties  
10 under I.R.C. §§ 6700, 6701, 6694, and 6695.

11 50. Baisden also made a false representation to a California IRS agent in 2004, claiming  
12 that the IRS had determined that he and the Nebraska physician had properly characterized the  
13 physician's employees as independent contractors. In fact, the IRS had determined that the  
14 physician's employees were not properly categorized as independent contractors and were  
15 improperly identified as such on their income tax returns.

16 51. Baisden has falsely told several Nebraska customers that they are not required to file  
17 federal income tax returns because they owe very little taxes. Baisden has then failed to file  
18 required tax returns on customers' behalf, though several customers are physicians who earn  
19 substantial income and likely have substantial tax liabilities.

20 52. Baisden's representation of his customers causes them material harm because they  
21 may be liable for penalties or criminal prosecution related to the false reporting of their income,  
22 and for delinquent tax filings and payment. Baisden's representation of his customers before the  
23 IRS also causes harm to the United States Treasury because significant additional resources must  
24 be devoted to pursuing the investigations as a result of Baisden's delays, harassment, and  
25 misrepresentations.

26 53. On information and belief, Baisden continues to advise his customers in California  
27 and Nebraska, and to prepare tax returns for them. Baisden falsely advises his customers that  
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1 they are not required to file certain income tax returns, that they are not liable for the taxes for  
2 which the IRS has determined they are liable, and that they should not comply with IRS  
3 summonses and information requests.

4 Count I - Injunction under I.R.C. § 7408

5 54. The United States incorporates by reference the allegations in paragraphs 1 through  
6 53.

7 55. Section 7408, I.R.C., authorizes a district court to enjoin any person from further  
8 engaging in conduct subject to penalty under either I.R.C. § 6700 or § 6701, if injunctive relief is  
9 appropriate to prevent recurrence of that conduct.

10 56. Section 6700 provides that a penalty will be imposed against any person who  
11 organizes or assists in the organization of a partnership or other investment plan or arrangement,  
12 or participates in the sale of an interest in an entity or plan, and (a) knowingly makes, or causes  
13 to be made, a false or fraudulent statement as to the allowability of a deduction or credit, the  
14 excludability of any income, the securing of another tax benefit, because of an interest held in  
15 the entity or because of his participation in the plan, or (b) makes a gross valuation  
16 overstatement as to any material matter.

17 57. Baisden, in promoting and selling his scheme and his services, made materially false  
18 or fraudulent statements to customers regarding the allowability of tax credits and deductions for  
19 personal expenses. In addition, he made materially false or fraudulent statements regarding  
20 customers' liability for self-employment tax, their withholding requirements, and the  
21 deductability of depreciation expenses for personal assets and items. Baisden knew or had  
22 reason to know that his statements were false or fraudulent.

23 58. Section 6701, I.R.C., imposes a penalty on any person who aids or assists in,  
24 procures, or advises with respect to the preparation or presentation of a federal tax return, refund  
25 claim, or other document, knowing or having a reason to believe that it will be used in  
26 connection with any material matter arising under the internal revenue laws, and knowing that if  
27 so used it would result in an understatement of another person's tax liability.

1 59. Baisden prepared and filed customers' federal income tax returns including  
2 inapplicable and fraudulent deductions and classifications of income and expenses. Baisden did  
3 so knowing that customers would submit the completed tax returns and knowing that the filing  
4 would result in understatements of customers' correct tax liability.

5 60. Baisden engaged in conduct subject to penalty under I.R.C. §§ 6700 and 6701, and  
6 he is subject to an injunction under I.R.C. § 7408.

7 61. Sections 7402 and 7408, I.R.C., authorize a court to issue orders of injunction as may  
8 be necessary or appropriate for the enforcement of the internal revenue laws. Baisden, through  
9 the actions described above, has engaged in conduct that substantially interferes with the  
10 enforcement of the internal revenue laws.

11 Count II - Injunction under I.R.C. § 7407

12 62. Section 7407, I.R.C., authorizes the Court to enjoin an income tax return preparer  
13 from further engaging in conduct subject to penalty under I.R.C. §§ 6694 or 6695 or engaging in  
14 any other fraudulent or deceptive conduct which substantially interferes with the proper  
15 administration of the internal revenue laws if the court finds that injunctive relief is appropriate  
16 to prevent the recurrence of such conduct.

17 63. In addition, I.R.C. § 7407 authorizes the Court to enjoin a person engaged in such  
18 prohibited conduct from acting as an income tax return preparer if the preparer has continually or  
19 repeatedly engaged in such conduct and an injunction prohibiting only the unlawful conduct  
20 would not be sufficient to prevent the preparer from further interfering with the proper  
21 administration of the internal revenue laws.

22 64. Section 6694, I.R.C., provides that a tax return preparer is subject to penalty if he or  
23 she prepares a return or claim for refund understating the taxpayer's liability including a position  
24 for which there is no realistic possibility of the position being sustained on its merits, and the  
25 preparer knew or should have known of the position. A return preparer is subject to a larger  
26 penalty if the understatement of liability is due to the preparer's willful attempt to understate the  
27 liability or the reckless or intentional disregard of rules or regulations.

1 65. Baisden willfully and recklessly prepared customers' tax returns containing  
2 understatements of liability including tax deductions, mischaracterizations of income, and other  
3 positions with no realistic possibility of being sustained on the merits.

4 66. Baisden prepared returns for customers unlawfully claiming business deductions for  
5 personal expenses, failing to report customers' self-employment or other earned income,  
6 mischaracterizing income actually reported, and unlawfully claiming inapplicable depreciation  
7 deductions. Baisden did so knowing or having reason to know that such deductions,  
8 characterizations and omissions had no validity in fact and no possibility of being sustained on  
9 the merits. Baisden prepared such returns in willful attempts to understate the taxpayers'  
10 liability or in reckless or intentional disregard of internal revenue laws and regulations.

11 67. Baisden has prepared at least 130 tax returns for customers for submission to the  
12 IRS, a substantial number (if not all) of which contain unlawful deductions,  
13 mischaracterizations, and other false and fraudulent statements about the customers' income,  
14 deductions, and tax liability. From twelve of Baisden's customers alone the United States  
15 estimates that the total tax loss to the government exceeds \$3 million so far.

16 68. Baisden's conduct is subject to penalty under I.R.C. § 6694. Baisden's return  
17 preparation substantially interferes with the administration of the internal revenue laws, and he is  
18 subject to an injunction under I.R.C. § 7407.

19 69. Baisden has continually and repeatedly prepared tax returns that contain unrealistic  
20 positions and has continuously and repeatedly engaged in fraudulent and deceptive conduct that  
21 interferes with the proper administration of the internal revenue laws.

22 70. An injunction prohibiting only Baisden's preparation of returns understating  
23 taxpayers' liabilities and including unrealistic positions is not sufficient to prevent him from  
24 further interfering with the proper administration of the internal revenue laws.

25 Count III - Injunction under I.R.C. § 7402

26 71. I.R.C. § 7402 authorizes the Court to issue an injunction or other judgment that is  
27 necessary or appropriate for the enforcement of the internal revenue laws.

1 72. Baisden's conduct during the representation of clients before the IRS significantly  
2 interferes with the IRS's enforcement of internal revenue laws. Baisden intentionally causes  
3 unnecessary delay and expense by making baseless filings, false statements, engaging in  
4 harassing conduct, and otherwise delaying the IRS's lawful examination proceedings.

5 73. Baisden knew or had reason to know that the Forms 911 he filed or caused to be filed  
6 had no basis in fact and that the statements he made therein were false and would have the effect  
7 of delaying the IRS's lawful examinations.

8 74. Baisden repeatedly called various IRS employees with the purpose of harassing or  
9 intimidating them or otherwise preventing them from carrying out their duties to enforce the  
10 internal revenue laws. Baisden also made factual misstatements to employees of the IRS with  
11 the motive to delay or harass their lawful investigation into his liability for penalties under I.R.C.  
12 §§ 6700, 6701, and 6694, and to delay or prevent examinations of his customers' liability.

13 75. Baisden otherwise engaged in conduct intended to impede the IRS investigations into  
14 his individual tax liability and possible liability for penalties under I.R.C. §§ 6700, 6701, and  
15 6694.

16 76. Baisden is subject to an injunction under I.R.C. § 7402 for his conduct and actions  
17 while acting as a power of attorney for his customers.

18  
19 WHEREFORE, the Plaintiff, United States of America, respectfully prays for the following:

20 1. That the Court find that Baisden engaged in conduct subject to penalty under I.R.C.  
21 (26 U.S.C.) §§ 6700, 6701, and 6694;

22 2. That the Court enter a permanent injunction pursuant to I.R.C. §§ 7402, 7407, and  
23 7408, prohibiting Baisden from: (a) promoting any investment, business venture, or other plan or  
24 arrangement and in connection therewith making false or fraudulent representations about  
25 federal tax benefits or treatment, (b) engaging in any other activity subject to penalty under  
26 I.R.C. §§ 6700 and 6701, or any other penalty provision in the I.R.C., (c) preparing, assisting, or  
27 filing federal income tax returns, amended returns, and other related documents and forms for  
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1 others, (d) causing other persons or entities to understate their federal tax liabilities and avoid  
2 paying federal taxes, (e) engaging in any other activity subject to penalty under I.R.C. §§ 6694  
3 and 6695, (f) representing anyone before the Internal Revenue Service, and (g) engaging in any  
4 other conduct that interferes with the administration or enforcement of the internal revenue laws;

5 3. That the Court order Baisden to turn over to counsel for the United States a list of the  
6 names, addresses, e-mail addresses, phone numbers, and Social Security numbers of all  
7 customers for whom he has prepared federal tax returns or whom he has advised, counseled, or  
8 otherwise assisted regarding the preparation of federal tax returns or advised regarding their tax  
9 liability;

10 4. That the Court order Baisden to notify all current, former, and prospective customers  
11 for whom he prepared income tax returns or otherwise falsely advised regarding the filing and/or  
12 payment of federal income taxes: 1) of the entry of any permanent or preliminary injunction; and  
13 2) that their tax liabilities may be affected and their tax returns may need to be corrected.

14 5. That the Court, pursuant to I.R.C. § 7402(a) enter an injunction requiring Baisden and  
15 his representatives, agents, servants, employees, attorneys, and anyone in active concert or  
16 participation with him to remove from their websites all abusive tax scheme promotional  
17 materials and materials designed to incite others imminently to violate the law; to display  
18 prominently on the first page of those websites a complete copy of the Court's permanent  
19 injunction; to certify to the Court within eleven days of the permanent injunction that he or she  
20 has complied with this provision; and to maintain their websites for one year with a complete  
21 copy of the Court's permanent injunction so displayed throughout that time;

22 6. That the Court permit the United States to conduct post-judgment discovery to ensure  
23 Baisden's compliance with the permanent injunction; and

1 7. That the Court grant the United States such other relief, including costs, as is just and  
2 equitable.

3  
4 McGREGOR W. SCOTT  
5 United States Attorney

6 /s/ Jacqueline C. Brown  
7 JACQUELINE C. BROWN  
8 Trial Attorney, Tax Division  
9 Attorneys for Plaintiff

10 Dated: September 29, 2006