

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

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WESTERN DISTRICT COURT
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UNITED STATES OF AMERICA,

Plaintiff,

v.

Case No. 1 : 06 CVO080

DANIEL DOYLE BENHAM,
individually and doing business as R.O.C.
Group International, a Corporation Sole,

Hon.

Gordon J. Quist
U.S. District Judge

Defendant.

COMPLAINT FOR PERMANENT INJUNCTION
AND OTHER EQUITABLE RELIEF

The plaintiff, the United States of America, for its complaint against the defendant,
Daniel Doyle Benham, individually and doing business as R.O.C. Group International, a
purported corporation sole, states as follows:

Nature of the Action

1. This is a civil action brought by the United States of America pursuant to §§ 7402(a)
and 7408 of the Internal Revenue Code (26 U.S.C.) ("IRC") to enjoin the defendant, Daniel
Doyle Benham, individually and doing business as R.O.C. Group International, and all those in
active concert or participation with Benham from:

- a. Organizing, promoting, marketing, or selling any abusive tax shelter, plan
or arrangement, including any so-called "corporation sole" or similar
arrangement that advises or assists customers to attempt to violate the
internal revenue laws or unlawfully evade the assessment or collection of
their federal tax liabilities;

- b. Causing other persons and entities to understate their federal tax liabilities and avoid paying federal taxes;
- c. 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;
- d. Encouraging, instructing, advising or assisting others to violate the tax laws, including to evade the payment of taxes;
- e. Engaging in any other conduct subject to penalty under IRC § 6700, *i.e.*, by making or furnishing, in connection with the organization or sale of an abusive tax shelter, plan or arrangement, a statement the defendant knows or has reason to know is false or fraudulent as to any material matter; and
- f. Engaging in any conduct subject to any other penalty provision in the IRC, or any other conduct that interferes with the administration and enforcement of the internal revenue laws.

Jurisdiction and Venue

2. This 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, pursuant to IRC §§ 7402 and 7408.

3. The Court may exercise jurisdiction over this action under 28 U.S.C. §§ 1340 and 1345 and IRC §§ 7402(a) and 7408.

4. Venue is proper in this Court under 28 U.S.C. § 1391 because Benham resides or has an office in Twin Lake, Michigan, within the Western District of Michigan.

Defendant's Activities

5. Benham, through his "corporation sole," R.O.C. Group-International, promotes a tax-fraud scheme known as "Strategic Withdrawal" whereby he purports to help customers remove themselves from the federal tax system and the legal obligations imposed by the internal revenue

laws by filing bankruptcy petitions under Chapter 7 of the Bankruptcy Code (11 U.S.C.); purportedly revoking their Taxpayer Identification Numbers (Social Security Numbers); surrendering or destroying any and all government-issued licenses, permits, and forms of identification; and concealing their assets through the use of "corporations sole," which actually function as the customers' alter egos or nominees.

6. Benham purportedly incorporated the R.O.C. Group as a corporation sole under Nevada law on or about July 16, 2002, in an attempt to take advantage of the special benefits available to legitimate religious groups and institutions under IRC § 501(c)(3).

7. The R.O.C. Group, like the other "corporations sole" that Benham promotes and sells at workshops and seminars throughout the United States, is a sham, one-person corporation. As part of Benham's "Strategic Withdrawal" promotion, his customers apply for incorporation as a corporation sole under the pretext of being a bishop or overseer of a phony religious organization or society.

8. Benham falsely promotes the corporation sole as an arrangement that entitles his customers to exemptions from federal taxes under IRC § 501(c). In addition to workshops and events conducted in Muskegon, Michigan (September, 2003), Los Angeles, California (March, 2004), Tampa, Florida (February 28, 2004) and Jekyll Island, Georgia (April 28-30, 2004), Benham and R.O.C. Group sold corporation sole and other tax-evasion packages through the website www.roc-group-intl.com between 2002 and 2004.

9. Benham and R.O.C. Group advertised "Gold-Key Yearly Membership" for \$200 on the website, as well as a publication entitled *Strategic Withdrawal, Third ed.*, for \$430 and one entitled *Corporation Sole Education* for \$5,000. Benham and R.O.C. Group also sold

publications entitled *IRS Educational Materials* on the website (including, but not limited to, “No return on file,” “tax assessment” and “Final Notice Intent to levy Education”) for prices ranging from \$200 to \$350.

Mechanics of the Promotion

10. As part of his “Strategic Withdrawal” promotion, Benham falsely advises customers that they can “get completely out of debt” by filing bankruptcy petitions to “discharge all personal debts and break the contracts obligating you to underwrite all public debts.” This, according to Benham’s promotional materials, “means to pay off or discharge all your bills, bank mortgages, etc., and get rid of your Social Security card.”

11. Thereafter, under Benham’s scheme, participants in Benham’s “Strategic Withdrawal” program write “Declarations of Earthly Citizenship” and other affidavits that purportedly revoke their signatures on their prior Form 1040 income-tax returns and Social Security applications. Benham tells his customers (in *Strategic Withdrawal* and at the seminars and workshops that he conducts as outlined above) to mail their declarations or affidavits to public officials and agencies such as the U.S. Attorney General and the Internal Revenue Service in order to become “sovereign citizens” who are purportedly no longer subject to the requirements of the internal revenue laws to file income tax returns and pay federal taxes.

12. Benham also falsely tells his customers that:

- a. After they have discharged their debts in bankruptcy and “revoked” all of their “contracts” (including their drivers’ licenses and prior federal income tax returns), they are no longer United States citizens;

- b. They can conceal their assets and taxable income by transferring them to the corporations sole that they have created for that purpose;
- c. They can treat their corporation sole as a “church” with no tax return filing requirement, and yet control and use the assets and income that were purportedly transferred to the corporations sole for their own personal benefit;
- d. The corporations sole that customers use for their personal benefit are tax-exempt and do not need to keep records; and
- e. The corporations sole that Benham’s customers form as part of his “Strategical Withdrawal” promotion enjoy a church or ecclesiastic status that the IRS cannot challenge.

13. Benham’s statements about the tax benefits associated with his “Strategic Withdrawal” program and the corporations sole are false and fraudulent.

14. The effect of Benham’s “Strategic Withdrawal” and corporation sole promotions is that his customers live in the same residence and operate the same business activity as they did before joining the program. All of the customers’ living expenses (and those of their families) are paid from compensation earned from business activity in the same manner as before creation of the corporation sole. Benham’s customers receive the full benefit of, and have full control over, all corporation sole funds.

15. As a result of the “Strategic Withdrawal” and corporation sole promotions, Benham’s customers fail to file federal income tax returns and pay their federal income taxes. For example, the IRS determined that one Benham customer, who failed to file federal income

tax returns for 1998-2000, owed \$177,086 in federal income tax for those years. That customer has also failed to file federal income-tax returns for 2001-2003.

16. Based on an analysis of 50 individuals or entities who purchased materials from Benham's R.O.C. Group, the IRS estimates that the average per-customer tax revenue loss from Benham's promotions is \$47,268.97. The total projected tax revenue loss from the 50 customers who are known to have participated in Benham's tax-fraud schemes exceeds \$2 million. The total per-customer loss increases with each year that customers fail to file returns and pay tax.

17. Benham promotes his "Strategic Withdrawal" and corporations sole in exchange for purported "donations" from his customers, which are based on the prices listed for his products on the website for the R.O.C. Group. An IRS review of the bank statements and items deposited into two bank accounts that Benham set up in the name of the R.O.C. Group indicates that Benham and R.O.C received a total of \$115,495 over a 15-month period for services, monthly fees, products and seminars that Benham provided.

Harm to the Public

18. Benham's customers have been harmed by his abusive promotions because they have paid Benham significant sums to establish worthless legal entities, and face the likely prospect of significant unpaid federal tax liabilities along with penalties, interest, and possible criminal prosecution.

19. The United States is harmed because Benham's customers are not paying their taxes. Moreover, given the IRS's limited resources, identifying and recovering all tax revenues lost from Benham's fraudulent schemes may be impossible, resulting in a permanent loss to the United States Treasury.

20. The public is harmed because the IRS is forced to devote its limited resources to identifying and attempting to recover tax revenue lost as a result of Benham's schemes.

21. Benham's fraudulent activities also undermine public confidence in the fairness of the federal tax system and incite violations of the internal revenue laws.

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

22. The United States incorporates by reference the allegations contained in paragraphs 1 through 21, above.

23. IRC § 7408 authorizes a court to enjoin persons who have engaged in conduct subject to penalty under IRC §§ 6700 or 6701 from engaging in further such conduct or any other conduct subject to penalty under the IRC.

24. IRC § 6700 imposes a penalty on any person who organizes or sells, or assists in organizing or selling, a plan or arrangement and in connection therewith makes or furnishes 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 means of participating in the plan or arrangement that the person knows or has reason to know is false or fraudulent as to any material matter.

25. Benham has organized or assisted in the organization of, or has participated directly or indirectly in selling, the "Strategic Withdrawal" and corporation sole programs.

26. In organizing and selling the "Strategic Withdrawal" and corporation sole schemes, Benham has made and furnished statements regarding tax benefits associated with participation in the schemes that he knows or has reason to know are false or fraudulent as to

material matters within the meaning of IRC § 6700.

27. Benham has engaged in conduct subject to penalty under IRC § 6700.

28. Unless enjoined, Benham is likely to continue to promote, organize and sell tax-fraud schemes. Injunctive relief is therefore necessary and appropriate under IRC § 7408.

Count II
Injunction under IRC § 7402

29. The United States incorporates by reference the allegations contained in paragraphs 1 through 28.

30. IRC § 7402 authorizes courts to issue injunctions as may be necessary or appropriate for the enforcement of the internal revenue laws.

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

32. If Benham is not enjoined, he will likely continue to engage in conduct that interferes with the enforcement of the internal revenue laws. The United States is entitled to injunctive relief under IRC § 7402(a) to prevent such conduct.

Relief Sought

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

A. That the Court find that the defendant, Daniel Doyle Benham, has engaged in conduct subject to penalty under IRC § 6700, and that injunctive relief is appropriate under IRC § 7408 to prevent Benham, and any business or other entity through which he operates (including, but not limited to, R.O.C. Group and R.O.C. Group International), and anyone acting in concert with him, from engaging in further such conduct;

B. That the Court find that Benham has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against Benham, 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 IRC § 7402(a);

C. That the Court, pursuant to IRC §§ 7402 and 7408, enter a permanent injunction prohibiting Benham (individually and doing business as R.O.C. Group International or any other entity) as well his agents, servants, employees, attorneys, and anyone in active concert or participation with them, from directly or indirectly:

- (1) Organizing, promoting, marketing, or selling any tax shelter, plan or other arrangement, including any so-called "corporation sole" or similar arrangement that advises or assists customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
- (2) Causing other persons and entities to understate their federal tax liabilities and avoid paying federal taxes;
- (3) 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;
- (4) Instructing advising or assisting others to violate the tax laws, including to evade the payment of taxes;
- (5) Engaging in any other conduct subject to penalty under IRC § 6700, *i.e.*, by making or furnishing, in connection with the organization or sale of an abusive tax shelter, plan or arrangement, a statement the defendant knows or has reason to know is false or fraudulent as to any material matter; and
- (6) Engaging in any other conduct subject to penalty under any penalty provision in 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 IRC § 7402, enter an injunction requiring Benham to produce to counsel for the United States a list identifying (by name, address, e-mail address, phone number, and Social Security or other tax identification number) all persons who have purchased his tax plans, arrangements or programs (purchased directly from him or indirectly through his associates, representatives, distributors or related entities);

E. That the Court, pursuant to IRC § 7402, enter an injunction requiring Benham at his own expense to contact by mail (or by e-mail, if a mailing address is unknown) all individuals who have previously purchased their abusive tax shelters, plans, arrangements or programs, including the "Strategic Withdrawal" and corporation sole programs, or any other tax shelter, plan or program in which defendant has been involved either individually or through any business entity, and inform those individuals of the Court's findings concerning the falsity of Benham's prior representations and attach a copy of the permanent injunction, and to file with the Court, within 20 days of the date the permanent injunction is entered, a certification signed under penalty of perjury that he has done so;

F. That the Court, pursuant to IRC § 7402, enter an injunction requiring Benham and his representatives, agents, servants, employees, attorneys, and anyone in active concert or participation with him, including his distributors, to remove from their websites all tax-fraud promotional materials, false commercial speech, and materials designed to aid and abet others in violating the internal revenue laws; to display prominently on the first page of any website maintained by or for Benham, a complete copy of the Court's permanent injunction, and to maintain any such website for one year with a complete copy of the Court's permanent injunction so displayed throughout that time;

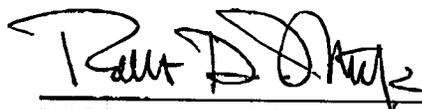
G. That the Court order that the United States is permitted to engage in post-judgment discovery to ensure compliance with the permanent injunction;

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

I. That the Court grant such other and further relief as the Court may deem proper and just.

Dated this 1~~st~~ day of February, 2006.

MARGARET M. CHIARA
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