FILED
U.S. DISTRICT COURT
MIDDLE GEORGIA
03 APR 10 PM 1:07
DEPUTY CLERK

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF GEORGIA
MACON DIVISION

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	Civil No. 5:03-CV-01 13-1
	)	
v.	)	
	)	
MORRIS JAMES, Sr.,	)	
	)	
and	)	
	)	
NATIONAL RESOURCE INFORMATION CENTER, INC., also dba NRIC, INC.,	)	
	)	
Defendants.	)	

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

Plaintiff, United States of America, for its Complaint states as follows:

Jurisdiction and Venue

1. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and by §§ 7402(a), 7407, and 7408 of the Internal Revenue Code of 1986 (26 U.S.C.) (I.R.C.).

2. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1391 and 1396.

3. This action is brought at the request of 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 I.R.C. §§ 7402, 7407, and 7408.

Defendants

4. Defendant Morris James resides at 405 Travelers Rest Road, Montezuma, Georgia.

5. Defendant National Resource Information Center, Inc., also dba NRIC, Inc.

(NRIC), is a for-profit corporation incorporated under the laws of Georgia, with its principal place of business at 207 S. Dooly Street, Montezuma, Georgia. On information and belief, Morris James is the sole shareholder and president of NRIC.

Facts Common to All Counts

6. James has held meetings at churches throughout the United States at which he makes false and fraudulent representations that persons of African-American descent are entitled to receive a refundable credit on their federal-income- tax return as "black heritage taxes," "40 acres and a mule," or as compensation or reparations for slavery, segregation, treatment as second-class citizens, separate-but-equal laws, or other comparable grounds (slavery reparations tax credit).

7. At these meetings James sells National Resource Information Center's (NRIC) "tax information package," which promotes the slavery reparations tax credit. Defendants' tax package includes a blank Form 1040A and an information sheet. Customers are instructed to sign and date the blank Form 1040A, fill out the information sheet with their name, address and social security number, and return these documents to NRIC, along with a cashier's check or money order for $50.

8. The Internal Revenue Code does not provide a tax credit titled "black heritage taxes" or "40 acres and a mule," nor does it provide any credit or refund as reparations for slavery, segregation, treatment as second-class citizens, separate-but-equal laws or any other comparable grounds.

9. The IRS issued public statements in 1994, 1996, 2000 and 2002 explaining the invalidity of slavery reparations tax credits or refunds.

10. In addition to the church meetings promoting this scheme, defendants have promoted their "tax information packages" and the slavery reparations tax credit on the NRIC website at www.mynric.com, and via an informal email forwarding network. The slavery reparations tax credit has also been promoted by NRIC telemarketers and by agents hired by James who work throughout the United States and are compensated with a percentage of the money they collect.

11. Based on completed customer information sheets recovered during a search warrant executed on NRIC premises on April 7, 2002, defendants are believed to have sold a minimum of 6,358 "tax information packages" that promoted the slavery-reparations tax credit.

12. Defendants' tax preparation business consists solely of preparing and assisting in preparing tax returns or amended tax returns claiming a fabricated slavery reparations tax credit.

13. Defendants prepared or assisted in preparing an unknown number of federal-income-tax returns or amended tax returns for the tax year 2000 containing fabricated slavery reparations tax credits, which defendants denominated on the returns as a "Black Inheritage [sic] Tax," in the amount of $43,209 per return on line 38 (the rest of the return is left blank).

14. Defendants failed to sign the returns or amended returns they prepared, or to include on the returns the required tax-return-preparer identifying number.

15. In February, 2002, James set up a "membership program" in response to the many claim denial letters sent by the IRS to NRIC customers. Customers were told that the membership program's purpose was to fund a class-action suit against the United States to compel the payment of slavery reparation claims and other discrimination-related claims, and that members would be included in the class. These memberships, for which defendants charged

$75-$250, also included access to the slavery reparations tax credit.

16. James promoted this membership program by visiting some of the same churches at which he had sold the slavery-reparations packets. At these meetings he persuaded many of those who had received claim denial letters from the IRS as a result of NRIC's filing of a frivolous return on their behalf to pay him additional money to participate in the "membership program." He also told attendees that refundable tax credits are available to African Americans as reparations for slavery, but that the IRS denies claims because it does not want to pay them. He represents to attendees that denial by the IRS of slavery reparations refund claims is a "scam."

17. If defendants are not enjoined, they are likely to continue to promote the slavery reparations tax credit, which may result in thousands of their customers incurring liability for unpaid taxes, as well as incurring frivolous-return penalties and other possible civil and criminal sanctions.

18. Defendants' conduct results in irreparable harm to the United States, for which the United States has no adequate remedy at law. Specifically:

a. Defendants' conduct, unless enjoined, is likely to cause the United States Treasury to expend significant resources to locate and process future returns with frivolous claims, and to assess and collect proper tax liabilities and penalties. If erroneous refunds are made and later detected, the Government will either lose those funds or have to expend substantial resources to recover them. Based on past experience, the Government cannot expect to recover 100 per cent of any erroneous refunds issued, and therefore the Government can expect a revenue loss if defendants are allowed to continue filing income-tax returns with frivolous reparation claims;

b. If defendants are not enjoined, they will continue to engage in conduct subject to penalty under I.R.C. §§ 6700, 6701, 6694, and 6695 that interferes with the enforcement of the internal revenue laws, thereby undermining the federal tax system; and

c. If not enjoined, defendants' actions will continue to sow confusion about the tax laws, by causing taxpayers to believe, falsely, that the United States Government is providing a tax credit titled "black heritage taxes" or "40 acres and a mule," or credits or refunds as reparations for slavery, segregation, treatment as second-class citizens, separate-but-equal laws, or any other comparable grounds.

Count I
(Injunction under I.R.C. § 7407)

19. The United States incorporates the allegations in paragraphs 1 though 18.

20. Section 7407 of the Internal Revenue Code, in relevant part, authorizes a court to enjoin a return preparer if it finds that the return preparer has engaged in conduct subject to penalty under I.R.C. §§ 6694 or 6695, and that injunctive relief is appropriate to prevent the recurrence of the conduct.

21. Section 6694 of the Internal Revenue Code imposes penalties on tax-return preparers who prepare returns that contain frivolous positions or who willfully understate the tax liability of another person.

22. Defendants are tax-return preparers as defined by I.R.C. § 7701(a)(36) because they prepared for compensation, or employed other persons to prepare for compensation, tax returns and amended tax returns.

23. Defendants have engaged in conduct subject to the I.R.C. § 6694 penalty because they knew or should have known that the slavery reparations tax credit is a frivolous position with no realistic possibility of being sustained on the merits and because they willfully prepared returns that understated the tax liability of another person.

24. Internal Revenue Code Section 6695(d) imposes a penalty on a tax-return preparer who fails to sign a return or to furnish the required tax identification number.

25. Defendants engaged in conduct subject to the I.R.C. § 6695 penalty by failing to sign or furnish the required tax-identification number on any of the returns they prepared.

26. Because defendants repeatedly prepared returns claiming frivolous credits despite the fact that they knew or should have known that the reparations credit has no basis in the law and that they were willfully understating the tax liability of other persons, defendants should be permanently enjoined from acting as income-tax-return preparers.

Count II

(Injunction under I.R.C. § 7408 for violations of I.R.C. §§ 6700 and 6701)

27. The United States incorporates the allegations in paragraphs 1 through 26.

28. Section 7408 of the Internal Revenue Code authorizes a court to enjoin persons from engaging in conduct subject to penalty under I.R.C. §§ 6700 and/or 6701, if injunctive relief is appropriate to prevent recurrence of such conduct.

29. Section 6700 of the Internal Revenue Code imposes a penalty on any person who organizes, or assists in the organization, or participates in the sale of any interest in any plan or arrangement, and who, in connection with such sale or organization, either makes or furnishes a false or fraudulent statement with respect to the allowability of any deduction or credit.

30. Defendants engaged in conduct subject to penalty under IRC § 6700 by organizing and participating in the sale of tax packages and membership packages that marketed false claims for tax credits on federal tax returns or amended returns that defendants prepared.

31. Injunctive relief is appropriate to prevent the recurrence of such conduct because absent an injunction, defendants are likely to continue to sell these tax and membership packages.

32. Section 6701 of the Internal Revenue Code imposes a penalty on any person who (1) aids or assists in, procures, or advises with respect to, the preparation or presentation of any portion of a return, affidavit, claim or other document; (2) who knows (or has reason to believe) that such a portion will be used in connection with any material matter arising under the internal revenue laws; and (3) who knows that such portion (if so used) would result in an understatement of the liability for tax of another person.

33. Defendants engaged in conduct subject to penalty under I.R.C. § 6701 by preparing or assisting in the preparation of documents which falsely claimed that African Americans could claim slavery reparations tax credits. Defendants knew or had reason to know the information about the slavery reparations tax credits would be used in connection with material matters arising under the internal revenue laws. Defendants also knew that, if so used, the information about the slavery reparations tax credits would result in understatements of tax liabilities.

34. Injunctive relief is appropriate to prevent the recurrence of such conduct because absent an injunction, defendants are likely to continue to prepare documents which falsely claim that African Americans can claim slavery reparations tax credits.

35. The United States is entitled to an injunction under I.R.C. § 7408 to prevent defendants from engaging in conduct subject to penalty under I.R.C. §§ 6700 and 6701.

Count III

(Unlawful Interference with the Enforcement of the Internal Revenue Laws, I.R.C. § 7402)

36. The United States incorporates the allegations in paragraphs 1 through 35.

37. Section 7402(a) of the Internal Revenue Code authorizes federal district courts to issue injunctions as may be necessary or appropriate to enforce the internal revenue laws.

38. Defendants, through the conduct described above, have engaged in conduct that substantially interferes with the administration and enforcement of the internal revenue laws, and specifically by disseminating false information that African Americans could claim slavery reparations tax credits. Unless enjoined, defendants are likely to continue to engage in such conduct. Defendants' conduct is causing irreparable injury to the United States, and an injunction under I.R.C. § 7402(a) is necessary and appropriate.

39. The United States is entitled to injunctive relief under IRC § 7402(a).

The United States requests the following relief:

A. That the Court find that defendants continually and repeatedly engaged in conduct subject to penalty under I.R.C. §§ 6694 and 6695 and that injunctive relief is appropriate under I.R.C. § 7407 to prevent recurrence of that conduct.

B. That the Court find that defendants engaged in conduct subject to penalty under I.R.C. §§ 6700 and 6701 and that injunctive relief is appropriate under I.R.C. § 7408 to prevent recurrence of that conduct.

C. That the Court find that defendants engaged in conduct that interferes with the enforcement of the internal revenue laws and that injunctive relief is appropriate to prevent recurrence of that conduct, pursuant to the Court's inherent equity powers and I.R.C. § 7402(a).

D. That the Court, pursuant to I.R.C. § 7407, enter a permanent injunction prohibiting defendants and their representatives, agents, servants, employees, attorneys, and any persons in active concert or participation with them, from directly or indirectly:

(1) Engaging in any conduct subject to penalty under I.R.C. § 6694, *i.e.,* preparing any part of a return or claim for refund that includes an unrealistic position;

(2) Engaging in any conduct subject to penalty under I.R.C. § 6695, *i.e.*, failing to sign and furnish an identifying number on tax returns they prepare, and failing to turn over to the IRS upon request a complete and accurate list of clients, with taxpayer identification numbers, or a copy of all tax returns prepared; and

(3) Engaging in any other activity subject to injunction or penalty under I.R.C. §§ 7407, 6694, or 6695, including any fraudulent or deceptive conduct which substantially interferes with the proper administration of the internal revenue laws;

E. That the Court, pursuant to I.R.C. §§ 7402 and 7408, enter a permanent injunction prohibiting defendants and their representatives, agents, servants, employees, attorneys, and any

persons in active concert or participation with them, from directly or indirectly:

(1) Engaging in any conduct subject to penalty under I.R.C. § 6700, *i.e.,* selling tax or membership packages that promote false claims for refund; conducting meetings that promote false claims for refund; or providing false information on the internet about the availability of a slavery reparations tax credit;

(2) Engaging in any conduct subject to penalty under I.R.C. § 6701, *i.e.,* preparing or assisting others in the preparation of any documents which are to be used in connection with any material matter arising under the internal revenue laws and which defendants know will (if so used) result in understating the income tax liability of other persons;

(3) Acting as an income-tax preparer; and

(4) Engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws, including preparing or assisting in preparing any return, amended return, or other document to be filed with the IRS claiming a credit titled "black heritage tax," "40 acres and a mule" or a credit or refund for reparations for slavery, segregation, treatment as second-class citizens, separate-but-equal laws, or any other comparable grounds, or any other fabricated tax credit or refund, and disseminating, in any way, information that such a fabricated credit exists and is available to African Americans.

F. That the Court, pursuant to I.R.C. § 7402, enter an injunction requiring defendants to contact, in writing:

(1) all persons to whom they gave, sold, or distributed any materials espousing or related to a tax credit for "black heritage," "40 acres and a mule," or reparations for slavery, segregation, treatment as second-class citizens or separate-but-equal laws;

(2) all persons for whom they prepared or assisted in preparing any federal income tax returns or tax-related documents;

(3) all persons who contacted them regarding a tax claim for "black heritage," "40 acres and a mule," or reparations for slavery, segregation, treatment as second-class citizens or separate-but-equal laws (in correspondence, by personal or telephone conversations, or through electronic means); and

(4) the pastors and parishioners of every church in which defendants conducted meetings relating to the slavery reparations tax credit,

and inform those persons of the entry of this Court's findings concerning the falsity of defendants' prior representations about the existence of a slavery reparations tax credit, the falsity of the tax returns prepared by defendants, the possibility that frivolous-return penalties and other civil or criminal penalties may be imposed against persons who claim a slavery reparations tax credit, the possibility that the United States may seek to recover any erroneous payment such persons may have received, and attach a copy of the permanent injunction entered against defendants.

G. That the Court, pursuant to I.R.C. § 7402 enter an injunction requiring defendants to contact in writing all employees, or agents of, or persons who performed work for, NRIC or James, specifically including but not limited to: anyone who worked the phones at NRIC, anyone who prepared returns for NRIC, and all agents or employees working for James or NRIC who promoted the slavery reparations tax credit, provided people with tax information packages or NRIC brochures or other informational materials, and/or prepared federal-income-tax returns for NRIC, and inform those persons of the entry of this Court's findings concerning the falsity of defendants' prior representations about the existence of a slavery reparations tax credit, the falsity of the tax returns prepared by defendants, the possibility that frivolous-return penalties and other civil penalties may be imposed against persons who claim a slavery reparations tax credit, the possibility that the United States may seek to recover any erroneous payment such persons may have received, and attach a copy of the permanent injunction entered against defendants.

H. That the Court, pursuant to I.R.C. § 7402, enter an injunction requiring defendants

to record and play, for the period of one year, an outgoing message on defendants' (800) 441-5629 telephone line stating that:

- The Internal Revenue Code does not provide for a tax credit or refund for reparations for slavery, segregation, separate-but-equal laws, treatment as a "second-class" citizen, "black heritage taxes," "40 acres and a mule,"or any other comparable grounds.

- All tax returns prepared on behalf of NRIC customers are false returns, and frivolous-return penalties may be imposed on the taxpayers by the IRS.

- The United States may seek to recover any erroneous payments that may have been made as a result of NRIC's filing of false returns.

- The United States District Court for the Middle District of Georgia has permanently enjoined Morris James and NRIC from making the false and fraudulent representation that taxpayers of African-American descent are entitled to a tax credit titled "black heritage taxes" or "40 acres and a mule," or that African Americans are entitled to receive payments from the government as compensation to make amends for slavery, segregation, separate-but-equal laws, treatment as second-class citizens, or anything comparable.

- The Court has also permanently enjoined Morris James and NRIC from preparing federal-income-tax returns.

I. That the Court, pursuant to I.R.C. § 7402, require James, at his own expense, to place an advertisement (with the content to be approved by this Court) in the local papers of each community in which he held a meeting promoting the false slavery reparations tax credit.

J. That this Court, pursuant to I.R.C. §§ 7402, 7407, and 7408, enter an injunction requiring defendants to turn over to the United States all records in their possession or to which they have access, that identify the names, addresses, and taxpayer identification numbers of all persons or entities (1) to whom defendants gave or sold, directly or indirectly, any materials related to the slavery reparations/ "black inheritage" credit argument, (2) for whom defendants prepared or assisted in preparing any tax return or other tax-related document, and (3) who

purchased or used any other tax shelter, plan, or arrangement that defendants promoted or have otherwise been associated with.

K. That this Court, pursuant to I.R.C. § 7402, enter an injunction requiring defendants to post, for the period of one year, a copy of the injunction on their website at www.mynric.com and on their webpage at www.webspawner.com/users/nric.

L. That this Court order that the United States may engage in post-judgment discovery to ensure compliance with the permanent injunction; and

M. That this Court shall retain jurisdiction over this action for purpose of implementing and enforcing the final judgment and all additional decrees and orders necessary and appropriate to the public interest.

N. That this Court grant the United States such other and further relief, including its costs, as is just and equitable.

Respectfully submitted,

FRANK MAXWELL WOOD
United States Attorney

JENNIFER K. BROWN
Cal. Bar # 224041
Trial Attorney, Tax Division
U.S. Department of Justice
Post Office Box 7238
Washington, D.C. 20044
Telephone: 202-307-0401
Facsimile: 202-514-6770