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**UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE**

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.) Civil No.
)
 DANIEL ANDERSEN,)
)
 Defendant.)

**COMPLAINT
Nature of Action**

1. This is a civil action brought by the United States of America under §§ 7402 and 7408 of the Internal Revenue Code (26 U.S.C.) (I.R.C.) to enjoin defendant, Daniel Andersen and all those in active concert or participation with him, from:

- (a) Organizing, promoting, or selling (or helping others to organize, promote, or sell) any tax shelter, plan, or arrangement, that incites or assists customers to attempt to violate the internal revenue laws or evade the

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2 assessment or collection of their federal tax liabilities or claim improper tax
3 refunds;

4 (b) engaging in activity subject to penalty under 26 U.S.C. § 6700,
5 including making, in connection with the organization or sale of any plan or
6 arrangement, any statement about the securing of any tax benefit that the
7 defendant knows or has reason to know is false as to any material matter;
8 and

9 (c) engaging in conduct subject to penalty under any provision of the
10 Internal Revenue Code, or engaging in any other conduct that substantially
11 interferes with the proper administration and enforcement of the internal
12 revenue laws.

13 2. This action has been requested by the Chief Counsel of the Internal Revenue
14 Service, a delegate of the Secretary of the Treasury, and commenced at the direction of a
15 delegate of the Attorney General of the United States, under the provisions of I.R.C.
16 §§ 7402 and 7408.

17 3. Jurisdiction exists under 28 U.S.C. §§ 1340 and 1345, and I.R.C. §§ 7402(a)
18 and 7408.

19 4. Venue is proper in this judicial district under 28 U.S.C. § 1391.

20 **Defendant**

21 5. Daniel Andersen is currently imprisoned at the Federal Corrections Institute in
22 Lompoc, California. He is scheduled to be released October 9, 2010.

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2 6. Daniel Andersen conducted business through Global Prosperity, located at 2000
3 Benson Road South, Building 115, Suite 350, Renton, Washington 98055, a location
4 within this judicial district.

5 **Criminal Investigation of Global Prosperity**

6 7. Global Prosperity, also known as the Global Prosperity Marketing Group,
7 Global Prosperity Group, Institute of Global Prosperity, and Global Prosperity 2001 (all
8 entities hereinafter referred to as "Global Prosperity"), was co-founded in 1996 by Daniel
9 Andersen and David Struckman, who also served as directors.

10 8. In 1998, Lorenzo (Zo) Lamantia became a director of Global Prosperity.

11 9. In March 2001, search warrants were executed on the Global Prosperity
12 directors' residences. The IRS seized a Global Prosperity customer list identifying over
13 44,000 participants during the search.

14 10. Between 1996 and 2002, Global Prosperity received gross receipts in excess
15 of \$50 million dollars that were not reported as income.

16 11. On May 11, 2004, Andersen, Lorenzo Lamantia, David Struckman, Kuldip
17 Singh, and Dwayne Robare were indicted for knowingly, intentionally, and unlawfully
18 conspiring to defraud the United States and defeat the lawful government functions of the
19 Internal Revenue Service (IRS) in the ascertainment, computation, assessment, and
20 collection of income tax. A superseding indictment was returned July 20, 2005. A copy
21 of the superseding indictment is attached as Exhibit 1.

22 12. On July 15, 2004, Andersen pled guilty to conspiring to defraud the United
23 States in violation of 18 U.S.C. § 371. Andersen admitted, as part of the plea, that he had
24 conspired to conceal the business affairs and income of Global Prosperity by using

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2 purported trusts and a series of related nominee bank accounts. Andersen concealed both
3 his own income, and Global Prosperity's, by failing to report payments he received from
4 Global Prosperity on IRS Forms W-2, 1099, Schedule K-1, or any other form including
5 Andersen's personal income tax returns for 1996 through 2002. A copy of Andersen's
6 plea agreement is attached as Exhibit 2.

7 **Defendant's Participation in Global Prosperity's Marketing Scheme**

8 13. Andersen, doing business as Global Prosperity, sold an audiotape/cd series
9 and tickets to offshore seminars promoting, among other things, bogus trust packages and
10 other schemes implementing fraudulent methods of eliminating one's income taxes.

11 14. As part of the scheme, Andersen actively promoted, sold, and advertised the
12 following goods and services:

13 a. "Global I" was a 12-part audio/cd series which states, *inter alia*, that: (1)
14 income of "American Nationals" or "sovereign state citizens" is foreign earned income;
15 (2) "American Nationals" or "sovereign state citizens" are not required to file tax returns
16 or pay income taxes; (3) the 16th Amendment of the United States Constitution was not
17 properly ratified; (4) wages are not income and therefore not taxable; and (5) the income
18 tax system is voluntary.

19 b. "Global II" was a three-day offshore seminar retail priced at \$6,250.
20 The Global II seminar was advertised as an opportunity for attendees to apply the wealth-
21 building strategies discussed on the Global I audio/cd series.

22 c. "Global III" was a five-day offshore seminar retail priced at \$18,750.
23 The Global III event was advertised as advanced training in implementing wealth-
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2 building strategies that featured the same fraudulent vendors and schemes promoted at the
3 Global II events.

4 d. "Global IV" was a three-day, invitation-only seminar held at Jekyll
5 Island, Georgia, in November 2000, retail priced at \$37,000. Global Prosperity hosted the
6 seminar for its top salespeople.

7 15. Participating vendors, whom Global Prosperity touted as "experts," paid
8 Global Prosperity a fee to promote tax-fraud schemes to Global Prosperity members
9 attending the seminars.

10 16. Global Prosperity used a multi-level marketing program to sell tax-fraud
11 products and build a network of distributors, retailers, and Global Prosperity members.
12 Global Prosperity customers paid a \$50 fee to become a Global member, and then
13 progressed through four tiers of membership from "Global I to IV."

14 17. As part of the scheme, a member joined at the first level and became a
15 Global I member by purchasing the Global I products.

16 18. As part of the scheme, a Global I member who sold a requisite number of tax-
17 fraud products (between 2 to 7), becomes a "qualified retailer" (QR). A QR could retain
18 80% to 90% of his or her sale revenues as profits, as well as a percentage of the first two
19 sales by members recruited by that QR.

20 19. As part of the scheme, after another threshold number of sales, a QR became a
21 "voluntary marketing assistor" (VMA) and earned even greater profits by selling products
22 related to the tax-fraud schemes.

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2 **Defendant's Fraudulent Statements and Schemes**

3 20. Defendant Daniel Andersen participated in the sale of the tax-fraud schemes
4 sold by Global Prosperity by (a) selling Global Prosperity memberships; (b) arranging
5 marketing seminars that provided Global Prosperity vendors with a forum to hawk tax-
6 fraud schemes to Global Prosperity members; and (c) endorsing, to Global Prosperity
7 members, tax-fraud schemes hawked to Global Prosperity members.

8 21. The Global Prosperity vendors made the following false and fraudulent
9 statements about the federal income tax laws, and assisted customers in evading the
10 federal income tax, as part of packages sold by Global Prosperity for between \$500 and
11 \$2,300:

12 a. The vendors falsely advised customers that a U.S. citizen who
13 "relinquishes" his Social Security number is no longer obligated to file tax returns, pay
14 income taxes, or perform other duties imposed by the Internal Revenue Code. As part of
15 this package sold by Global Prosperity, Defendant assisted customers in evading the
16 payment of employment taxes by providing a document purporting to revoke or rescind
17 the taxpayer's Social Security number.

18 b. The vendors falsely advised customers that an "American" national, or
19 "sovereign state citizen," is foreign to the "Federal United States Government
20 Corporation," thus any income received is non-taxable foreign earned income. As part of
21 this tax-fraud package sold by Global Prosperity, the vendors advised customers that they
22 were not required to file income tax returns after filing a statement of citizenship included
23 in the package.

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2 c. The vendors falsely advised customers that American nationals or
3 sovereign state citizens, have no “contractual nexus” with the United States and are not
4 required to file tax returns or pay income taxes on wages. As part of the package sold by
5 Global Prosperity, Defendant assisted customers in evading the payment of income taxes
6 by providing a document purporting to revoke or rescind their “contractual nexus” with
7 the United States.

8 d. The vendors falsely advised customers that the U.S. Supreme Court
9 ruled that the 16th Amendment created no new power of taxation and did not amend or
10 change the constitutional limits that forbid any direct taxation on individuals. Thus, the
11 vendors falsely advised that the current laws relating to income tax, Social Security, and
12 related taxes, have never applied to anyone other than appointed and elected government
13 officials or employees.

14 e. The vendors falsely advised customers that they were not required to
15 report wage income earned while working in the United States because U.S.-source
16 wages are not taxable.

17 f. The vendors falsely advised customers that a “sovereign American
18 national” may refuse with impunity to obey any summons or other directive from the
19 federal government.

20 22. As part of the scheme, Global Prosperity vendors made the following false
21 statements regarding the federal income tax laws, as part of the fraudulent tax reduction
22 packages sold by Global Prosperity that assisted wage-earning customers in evading the
23 federal income tax:

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2 a. The vendors assisted customers in forming foreign entities without tax
3 reporting identification numbers, and advised them to renegotiate their contract with their
4 employer to do business with that foreign entity. The vendors falsely advised customers
5 that up to \$75,000 of the payments to the foreign entity can be excluded from income, as
6 foreign source income under the provisions of I.R.C. § 911, even if the source of the
7 activity is within the United States.

8 b. The vendors falsely advised customers that United States citizens can
9 become sovereign state citizens by revoking their Social Security numbers, and demand
10 that their employer discontinue withholding income and Social Security taxes. As part of
11 this package Global Prosperity's vendors sold, customers were provided a document
12 purporting to revoke or rescind the taxpayer's Social Security number.

13 c. The vendors sold the HTS Identity Redemption package that provided
14 purchasers with a U.C.C.-1 filing statement purporting to "redeem" the individual's
15 identity. The HTS Identity Redemption package, which retailed for between \$500 to
16 \$2,300, fraudulently advised purchasers to revoke or rescind their social security
17 numbers, and furnished documents purporting to allow them to refuse any summons or
18 other directive from the federal government after the filing of the U.C.C.-1 statement.

19 23. By arranging marketing seminars, and by endorsing the tax-fraud schemes
20 sold by participating vendors, Defendant Daniel Andersen furnished or caused to be
21 furnished to Global Prosperity members (a) false statements about the tax benefits
22 allegedly available from the tax-fraud schemes and also (b) documents and methods used
23 to claim false deductions, conceal assets, and under-report income as described in
24 paragraphs 19-21.

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2 24. In July 1997, the Michigan Attorney General issued a cease-and-desist order
3 requiring Global Prosperity to discontinue the multi-level marketing of fraudulent tax
4 schemes in that state. In 1998, the Attorneys General of Massachusetts, Missouri, North
5 Dakota, Oregon, and South Dakota issued similar cease-and-desist orders. Global
6 Prosperity continued doing business following the cease-and-desist orders under a
7 modified name and restricted its promotion to offshore locations.

8 25. As a Global Prosperity director, Andersen was aware of the cease-and-desist
9 orders preventing Global Prosperity from doing business in those states.

10 26. On or about March 2002, after execution of the search warrants with respect to
11 the Global Prosperity promotion, and after the issuance of cease-and-desist orders from
12 six states' Attorneys General, Andersen and Lamantia established Stratia Corporation
13 ("Stratia"), a Nevada LLC, as a successor organization to Global Prosperity.

14 27. Dan Andersen was Stratia's chief executive officer and the individual
15 primarily responsible for keeping Stratia's records. Andersen helped devise Stratia's
16 promotional materials. Stratia's primary product was a compact disc audio course
17 containing false commercial speech advertising fraudulent tax-avoidance schemes.

18 28. The Stratia compact disc course promotes the fraudulent tax-avoidance
19 schemes Bruce Hawkins created. On August 11, 2006, this Court enjoined Hawkins from
20 selling the same fraudulent tax schemes that Stratia promoted in its audio compact disc
21 course. A copy of the United States' complaint against Hawkins and this Court's order of
22 injunction are attached as Exhibits 3 and 4, respectively.

23 29. Although Stratia was in operation between 2002 and at least 2004, Stratia has
24 never filed a federal income tax return.

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Harm to the Government

30. Andersen's schemes harm the government by fraudulently reducing customers' reported tax liabilities. Based on the Global Prosperity customer list, an estimated 44,000 taxpayers have purchased at least one of Global Prosperity's products or tax-fraud schemes.

31. The Internal Revenue Service is harmed because it must dedicate a portion of its scarce resources to detecting and examining the inaccurate returns filed by Global Prosperity customers as a result of Andersen's tax-fraud schemes, and in attempting to recover unpaid taxes.

32. The IRS estimates that during 2001 the difference between the amount of taxes paid, and the amount that should have been paid, equaled \$345 billion. See <http://www.irs.gov/newsroom/article/0,,id=154496,00.html>. Tax-fraud schemes such as those promoted by Defendant contribute to the under-reporting of taxes estimated in the report.

33. Some of the revenue loss caused by Defendant's activities may never be recovered.

Defendant's Knowledge of the Falsity of the Tax Benefits of His Tax-Fraud Schemes

34. The following facts concerning Andersen's conduct and extensive involvement in these elaborate schemes indicate that the misconduct described in this complaint or other similar misconduct is likely to recur unless he is permanently enjoined:

a. Andersen was instrumental in controlling the activities and finances of Global Prosperity: He wrote over \$9,200,000 in checks on behalf of Global Prosperity

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1 prior to 2002 and had primary responsibility for tracking sales of Global Prosperity's
2 products.

3 b. Andersen admitted in his plea agreement in his criminal case that he
4 used several tiers of trusts and nominee bank accounts to conceal Global Prosperity's
5 business affairs and income.

6 c. Andersen admitted in his plea agreement in his criminal case that he and
7 his co-conspirators maintained the anonymity of Global Prosperity and themselves by
8 periodically changing the name of the Global Prosperity organization, using mail drops to
9 conceal its location, and conducting financial transactions in cash to escape notice from
10 the IRS.

11 d. In the face of cease-and-desist orders from six states' Attorneys General
12 and the execution of a search warrant on his residence, Andersen formed Stratia to
13 succeed Global Prosperity. Stratia also promoted fraudulent tax-avoidance strategies
14 involving bogus trusts. Andersen provided a substantial portion of Stratia's start up
15 capital.

16 e. Income tax returns Andersen filed show that marketing fraudulent tax-
17 avoidance schemes through Global Prosperity is the most lucrative occupation Andersen
18 has ever had.

19 f. Andersen admitted in a sentencing memorandum he submitted during his
20 criminal case that he continued to promote the products of Global Prosperity's vendors
21 even after he knew they were illegal, suggesting to the court that he did so because of
22 how lucrative his participation in Global Prosperity had become.

23 g. This Court saw fit to impose special conditions on Andersen when he is
24 released from prison, including among other things, that he maintain only one checking
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1 account, obtain a probation officer's approval before obtaining credit, forbidding self-
2 employment or employment by friends or relatives, and forbidding Defendant from
3 working for cash.

4 **Count I: Injunction under I.R.C. § 7408 for violations of § 6700**

5 35. The United States incorporates by reference the allegations contained in
6 paragraphs 1 through 34.

7 36. Section 7408, Title 26 U.S.C. authorizes a district court to enjoin any person
8 from, *inter alia*, engaging in conduct subject to penalty under I.R.C. § 6700 if injunctive
9 relief is appropriate to prevent recurrence of that conduct.

10 37. Section 6700 imposes a penalty on any person who organizes or participates in
11 the sale of a plan or arrangement and in so doing makes a statement with respect to the
12 allowability of any deduction or credit, the excludability of any income, or the securing of
13 any tax benefit by participating in the plan or arrangement which that person knows or
14 has reason to know is false or fraudulent as to any material matter.

15 38. Andersen participated in organizing and selling tax-fraud schemes that falsely
16 promised tax benefits to customers.

17 39. In organizing and selling these schemes, Andersen furnished or caused to be
18 furnished false or fraudulent statements regarding the tax consequences of the schemes.

19 40. Andersen knew or had reason to know that these statements were false or
20 fraudulent statements within the meaning of 26 U.S.C. § 6700.

21 41. If not enjoined, Andersen may continue to organize and sell tax-fraud
22 schemes.

23 42. Injunction relief is appropriate to prevent recurrence of this conduct.
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Count II: Injunction Under I.R.C. § 7402

43. The United States incorporates by reference the allegations contained in paragraphs 1 through 42.

44. I.R.C. § 7402(a) authorizes a court to issue injunctions as may be necessary or appropriate for the enforcement of the internal revenue laws, even if the United States has other remedies available for enforcing those laws.

45. Andersen substantially interferes with the enforcement of the internal revenue laws by promoting his tax-fraud schemes and offshore tax shelters.

46. Andersen's conduct results in irreparable harm to the United States for which the United States has no adequate remedy at law.

47. Unless enjoined by this Court, Andersen is likely to continue to engage in illegal conduct. The United States is entitled to injunctive relief under I.R.C. § 7402(a).

WHEREFORE, plaintiff, the United States of America, prays for the following relief:

A. That this Court, under 26 U.S.C. §§ 7402 and 7408, enter a permanent injunction prohibiting Andersen and his representatives, agents, servants, employees, and anyone in active concert or participation with him, from directly or indirectly by means of false, deceptive, or misleading commercial speech:

- (1) Organizing, promoting, marketing, or selling (or assisting therein) any tax shelter, plan, or arrangement, including but not limited to those discussed above, or any other tax shelter, plan or arrangement that incites or assists customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or

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1 collection of their federal tax liabilities or unlawfully claim improper
2 tax refunds;
3 (2) engaging in activity subject to penalty under 26 U.S.C. § 6700,
4 including making, in connection with the organization or sale of any plan or
5 arrangement, any statement about the securing of any tax benefit that the
6 defendant knows or has reason to know is false as to any material matter;
7 (3) engaging in conduct subject to penalty under any provision of the
8 Internal Revenue Code, or engaging in any other conduct that substantially
9 interferes with the proper administration and enforcement of the internal
10 revenue laws.

11 B. That this Court allow the government full post-judgment discovery to
12 monitor Andersen's compliance with the injunction; and

13 C. That this Court grant the United States such other and further relief as the
14 Court deems just and appropriate.
15

16
17 JOHN MCKAY
18 United States Attorney

19 s/ Robert E. Fay
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