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21  
22 IN THE UNITED STATES DISTRICT COURT FOR THE  
23 CENTRAL DISTRICT OF CALIFORNIA  
24 SOUTHERN DIVISION

25 UNITED STATES OF AMERICA,

26 Plaintiff,

27 v.

28 THANH VIET JEREMY CAO,  
individually and  
d/b/a Phoenix Financial  
Management Group,

Defendant.

SACV09-01245 JVS (ANx)  
Civil No. \_\_\_\_\_

Complaint for Permanent Injunction  
and Other Relief

2009 OCT 27 AM 11:57  
CENTRAL DISTRICT OF CALIF.  
LOS ANGELES

FILED

1 Plaintiff, United States of America, for its complaint against Thanh Viet Jeremy  
2 Cao, individually and doing business as Phoenix Financial Management Group, states as  
3 follows:

4 1. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and  
5 26 U.S.C. §§ 7402(a), 7407, and 7408.

6 2. This suit is brought under 26 U.S.C. §§ 7402, 7407, and 7408 to enjoin  
7 Thanh Viet Jeremy Cao, individually and doing business as Phoenix Financial  
8 Management Group, from the following activities:

9 (a) Preparing or filing, or assisting in, or directing the preparation or filing of  
10 any federal tax return, amended return or other federal tax documents or  
11 forms for any other person or entity;

12 (b) Directly or indirectly organizing, promoting, marketing, or selling any plan  
13 or arrangement that advises or helps taxpayers to violate internal revenue  
14 laws or unlawfully evade the assessment or collection of their federal tax  
15 liabilities, including promoting, selling, or advocating the misuse of Internal  
16 Revenue Service (IRS) Forms including Forms 56, 1040, 1065, 1120, 1096,  
17 1099-OID, 1099-A, 1099-INT under the false claims that:

18 i. Taxpayers have an account with the Treasury Department which they  
19 can use to pay their debts and tax liabilities or which they can draw on  
20 for refunds through a process that is often called “redemption” or  
21 “commercial redemption.”

22 ii. Taxpayers can name the U.S. Treasury Secretary as their fiduciary or  
23 can draw on the U.S. Treasury to pay their debt or tax liabilities using  
24 Forms 1099-OID, bonded promissory notes, sight drafts or other  
25 documents;

26 iii. Taxpayers can issue IRS forms 1099-OID to a creditor and report the  
27 amount on the form as federal income tax withheld on their behalf;

1 iv. Taxpayers can issue other IRS forms that overstate income  
2 withholding or purport to appoint U.S. government officials as their  
3 fiduciaries; and

- 4 (c) Engaging in conduct subject to penalty under 26 U.S.C. § 6700, including  
5 organizing or selling a plan or arrangement and making or furnishing a  
6 statement regarding the excludability of income or securing any other tax  
7 benefit that he knows or has reason to know is false or fraudulent as to any  
8 material matter;
- 9 (d) Engaging in conduct subject to penalty under 26 U.S.C. § 6701, including  
10 preparing and filing tax returns and other documents that understate the tax  
11 liabilities of others;
- 12 (e) Preparing his own federal income tax returns that claim fabricated income-  
13 tax withholding and refunds based on amounts shown in Forms 1099-OID  
14 issued to his creditors;
- 15 (f) Filing, providing forms for, or otherwise aiding and abetting the filing of  
16 frivolous Forms 1040, 1099 and other IRS forms for himself or others,  
17 including the notarization or signing of certificates of service or similar  
18 documents in connection with the frivolous tax returns;
- 19 (g) Representing anyone other than himself before the Internal Revenue Service;
- 20 (h) Engaging in any other conduct that is subject to penalty under the Internal  
21 Revenue Code or that interferes with the proper administration and  
22 enforcement of the internal revenue laws.

23 3. Pursuant to 26 U.S.C. §§ 7402, 7407, and 7408, this action has been  
24 requested by the Chief Counsel of the IRS, a delegate of the Secretary of the Treasury,  
25 and commenced at the direction of a delegate of the Attorney General.

26  
27  
28

1 **Defendant**

2 4. Thanh Viet Jeremy Cao (Cao) resides in Rancho Santa Margarita, Orange  
3 County, California, and does business as Phoenix Financial Management Group, 22365  
4 El Toro Road, Suite 295, Lake Forest, Orange County, California. Venue is thus proper  
5 in this Court under 28 U.S.C. § 1391.

6 5. Cao is the managing member of Phoenix Financial Management Group  
7 (Phoenix Financial), 2236 El Toro Road, Suite 295, Lake Forest, California 92630.

8 6. In 2008, Cao, individually and doing business as Phoenix Financial, received  
9 compensation in exchange for preparing and filing frivolous documents and fraudulent  
10 individual and corporate income tax returns (IRS Forms 1040 and 1120) covering the tax  
11 years 2005, 2006, and 2007. Cao identifies himself as a "paid preparer" of federal  
12 income tax returns using a unique Preparer Tax Identification Number issued to him by  
13 the IRS.

14 **Defendant Cao's Tax-Fraud Scheme**

15 7. Cao promotes a tax-fraud scheme in which he sends the IRS fraudulent tax  
16 returns and frivolous documents that grossly overstate his customers' income and  
17 withholding to get grossly inflated tax refund checks.

18 8. Under the federal tax withholding system, employers must withhold taxes  
19 from a taxpayer's payroll income. Additionally, a taxpayer may have tax withheld from  
20 other sources such as gambling winnings. Later, when a taxpayer files his or her year-  
21 end tax return, the IRS refunds the amount, if any, of withholding in excess of the  
22 taxpayer's tax liability.

23 9. Cao's scheme exploits the withholding system by overstating income and  
24 withholding amounts by hundreds of thousands of dollars to improperly obtain refund  
25 checks worth hundreds of thousands of dollars for his customers.

26 10. Cao's scheme promotes a rejected tax-defier theory called "redemption" or  
27 "commercial redemption." Promoters of this theory claim that the United States

1 government maintains for each taxpayer a secret treasury account worth millions of  
2 dollars. By sending government officials and banks unsolicited documents and various  
3 IRS forms promoters claim that this nonexistent secret treasury account can be used  
4 satisfy a person's debts and liabilities, including tax liabilities.

5 11. More specifically, Cao submits frivolous documents to the IRS that purport  
6 to appoint the U.S. Treasury Secretary and other government officials as fiduciaries of  
7 Cao and his customers. Cao then files tax returns and other IRS forms that overstate his  
8 customers' income and withholding under his belief that the U.S. Treasury Secretary is  
9 now obligated to pay his customers' tax liability with funds from their secret shadow  
10 accounts, and refund a portion of the excess secret withholding.

11 12. Cao's theory is complete fiction. Nonetheless, Cao has injured real people,  
12 the United States, and United States taxpayers, who have paid at least \$1,152,489 in  
13 erroneous refunds because of Cao's overstated and fabricated withholding figures.

14 *A. Cao Prepared and Filed Individual Tax Returns That Overstated His Customers'*  
15 *Income and Withholding, and Fraudulently Claimed Hundreds of Thousands of*  
*Dollars in Refunds.*

16 13. On or about October 15, 2008, Cao, on behalf of his customers, prepared at  
17 least six individual income tax returns claiming income and withholding that far  
18 exceeded what employers and others reported to the IRS. Cao signed each return as a  
19 "paid preparer," and used both his unique Preparer Tax Identification Number, and the  
20 unique employer identification number for Phoenix Financial, the firm name under which  
21 he provided tax return preparation services.

22  
23 *i. The Ho/Hiep Tax Return*

24 14. On or about October 15, 2008, Cao prepared a false and fraudulent tax return  
25 and frivolous documents on behalf of Taiming Ho and Chenda Hiep of San Jose,  
26 California.



1 interest income of just \$64. The same Form 1099-INT revealed that zero dollars in  
2 interest income was actually withheld.

3 22. IRS records for 2006 reflect only \$14,427 in federal income withholding for  
4 Yee and Huang, *i.e.* \$695,453 less than their claimed withholding of \$709,880.

5 23. Nonetheless, on behalf of Yee and Huang, Cao calculated a refund of  
6 \$409,175 based on the overstated income and withholding.

7 24. On Yee and Huang's 2007 tax return (also dated October 15, 2008), Cao  
8 made even bolder false representations.

9 25. On behalf of Yee and Huang, Cao claimed interest income of \$1,295,934  
10 and withholding of \$1,298,874.

11 26. Cao supplemented this filing with more than forty fabricated Forms 1099-  
12 OID (Original Discount Income) that purported to show more than \$1.2 million in  
13 withheld interest income for Yee and Huang.

14 27. IRS records, however, reflect only \$2,940 in actual withholding, *i.e.*  
15 \$1,295,934 less than the claimed withholding of \$1,298,874.

16 28. Nonetheless, on behalf of Yee and Huang, Cao calculated a refund of  
17 \$820,105 based on the overstated income and withholding.

18 *iii. The Thong Return*

19 29. In October 2008, Cao prepared a false and fraudulent tax return and  
20 frivolous documents on behalf of Rouen and Vany Thong of Elk Grove, California.

21 30. Cao prepared an IRS 2007 Form 1040, in which Rouen and Vany Thong  
22 claimed business and partnership income of \$161,446. Although the tax return claimed  
23 federal income tax withholding of \$165,892, the return's attached Forms W-2 (Wage and  
24 Tax Statements) documented only \$4,446 in withholding.

25 31. IRS records also reflect only \$4,446 in actual withholding for the Thongs  
26 during the 2007 tax year, \$161,446 less than the Thongs' claimed withholding of  
27 \$165,892.







1 B. *Cao Filed Frivolous Documents Falsely Purporting to Create Lien Rights and*  
2 *Fiduciary Relationships Between Cao, His Customers, and U.S. Government*  
3 *Officials.*

4 46. In connection with the tax returns described above and with other matters,  
5 Cao sent the IRS frivolous documents demonstrating that his overstated income,  
6 withholding and refund figures were based on the rejected “commercial redemption” or  
7 “redemption” theory.

8 47. Cao knew that the federal courts and the IRS considered his theories  
9 frivolous because the IRS told him as much in a letter dated August 13, 2008. In this  
10 letter, an IRS Operations Manager informed Cao that the prior “arguments you raised are  
11 frivolous and have no basis in law.” The letter also warned Cao that he could face civil  
12 and criminal penalties for filing frivolous income tax returns.

13 48. Nonetheless, on or about October 1, 2008, and on behalf of Ho and Hiep, the  
14 IRS received a thick packet that included a Form 1040 (2007) (listing no income or tax  
15 figures but instead instructing the IRS to “see Form 1099-OID”); forms 1099-OID  
16 (Original Issue Discount) (claiming \$59,665 in federal withholding); Form 1096 (Annual  
17 Summary and Transmittal of U.S. Information Returns) (claiming \$336,650.97 in federal  
18 withholding), Form 56 (Notice Concerning Fiduciary Relationship) (claiming that  
19 “HENRY M. PAULSON JR, SECRETARY OF THE TREASURY, SUCCESSORS  
20 AND/OR ASSIGNEES” is the fiduciary of Taiming Ho);and Form 1040-V (2007)  
21 (Payment Voucher) (listing no payment). Many of these documents bore Cao’s signature.

22 49. Additionally, Cao attached an affidavit signed by “Taiming Ho, a real man,  
23 Affiant and Secured Party/Creditor to and Authorized Representative for: TAIMING HO  
24 (*ens legis*).” In his affidavit, Ho apparently asserts that based on the frivolous documents  
25 submitted with the affidavit that the United States government and banks are now  
26 responsible for liabilities incurred by “TAIMING HO (*ens legis*).” Ho stated that he and  
27 Cao prepared and executed several documents, including Uniform Commercial Code

1 financing statements; IRS Forms 1040, 1099-A, 1099-OID, and 1096; and a “Negotiable  
2 Bonded Promissory Note.”

3 50. Cao also attached several exhibits to this affidavit, including a “Bonded  
4 Promissory Note” that purportedly obligates the U.S. Treasury and the Internal Revenue  
5 Service to pay and credit \$179,000 to a Bank of America account; a “Durable Power of  
6 Attorney” appointing Cao as attorney-in-fact for “TAIMING HO (*ens legis*),” an  
7 “Affidavit of Truth” that offers such “maxims” as “Governments cannot make un-bonded  
8 rulings or statutes which control commerce, free enterprise citizens, or sole  
9 proprietorships without suspending commerce by a general declaration of martial law”;  
10 and “Private Discharging and Indemnity” bonds that purportedly appoint the U.S.  
11 Treasury Secretary as Cao’s fiduciary and obligate the Secretary to “discharge and vacate  
12 all pre-existing and current liabilities” unless the bond is dishonored within three days.

13 51. One month later, on November 10, 2008, Judge Cormac J. Carney of the  
14 United States District Court for the Central District of California enjoined Cao from  
15 making similar filings in connection with an action brought against him by the Securities  
16 and Exchange Commission.

17 52. In his order, Judge Carney declared null and void Cao’s “Affidavit[s] of  
18 Truth”, “Private Discharging and Indemnity Bond[s]”, “UCC Financing Statements,” and  
19 “[a]ny document filed or recorded by Cao in any County or State within the United States  
20 of America...purporting to establish, memorialize, record, or assert a lien, claim, or  
21 interest adverse to any other person or entity, or the property of any other person or  
22 entity.” *SEC v. TG Capital L.L.C.*, No. SACV07-579-CJC(ANx) (C.D. Cal. Nov. 10,  
23 2008) (order declaring purported lien claims null and void).

24 53. On behalf of Ho and Hiep, Yee and Huang, the Thongs, Ota, and the  
25 Chhuns, Cao signed and sent another affidavit to the IRS. This affidavit was similar to  
26 the one Cao sent on behalf of Ho and Hiep in October 2008. Cao’s December affidavit,  
27 however, named several IRS Criminal Investigators as “respondents,” accused them of

1 being "third party interloper[s] with no real interest in Affiant's affairs," and demanded  
2 that they "cease and desist" their criminal investigation into Cao's activities. The  
3 affidavit also asserted lien and security rights against the IRS Criminal Investigators and  
4 the U.S. Treasury Secretary.

5 54. Accordingly, Cao had reason to know that his affidavit and attachments  
6 falsely represented that a fiduciary relationship exists between the IRS Criminal  
7 Investigators and the U.S. Treasury Secretary, and Bank of America, Cao, Ho and Hiep,  
8 Yee and Huang, the Thongs, Ota, and the Chhuns. Additionally, these documents  
9 constitute frivolous filings because they are grounded in Cao's rejected "commercial  
10 redemption" theory.

11  
12 *C. Cao Prepared and Filed Corporate Tax Returns and Frivolous Documents That*  
13 *Overstated His Own Businesses' Income and Withholding, and Wrongly Claimed*  
*Millions of Dollars in Refunds.*

14 55. Cao asserted the same "commercial redemption" theories in preparing  
15 returns for his own affiliated companies.

16 56. On these returns, however, Cao overstated "backup withholding" rather than  
17 income tax withholding.

18 57. A taxpayer may have "backup withholding" in limited circumstances. For  
19 example, a bank must withhold up to twenty-eight percent of a payment for taxes when  
20 the recipient has failed to furnish a correct taxpayer identification number. In no case  
21 does this withholding exceed twenty-eight percent.

22 58. On or about October 15, 2008, Cao signed corporate income tax returns as a  
23 preparer, and claimed the following income, backup withholding, and refunds.

Company Name	Tax Year	Claimed Taxable Income	Claimed Backup Withholding	Claimed Refund / Overpayment
Raw Mgmt. Group, Inc.	2005	\$ 361,364	\$ 361,364	\$ 238,500
Northpoint Ventures, Inc.	2005	11,638,428	11,638,427	7,664,977
Northpoint Ventures, Inc.	2006	32,347,957	32,347,957	21,026,172
Northpoint Ventures, Inc.	2007	3,799,548	3,799,548	2,507,702
CIK, Inc.	2005	114,988	114,988	86,893
CIK, Inc.	2006	51,309	51,309	43,482
CIK, Inc.	2007	31,972	31,972	27,176
BES Corp.	2005	841,095	841,095	555,123
BES Corp.	2006	421,213	421,213	278,001
BES Corp.	2007	278,143	278,143	186,417

59. IRS records showed no such backup withholding, however, and the IRS did not issue the requested refunds or credits.

60. Nonetheless, each of these returns constitutes a fraudulent return based on Cao's frivolous rejected "commercial redemption" theory.

61. In October 2008, Cao prepared and filed at least eight unsigned Forms 1065 (Return of Partnership Income) on behalf of EV Estates L.L.C., Titan Financiers, L.L.C., and VC Estates L.L.C.

62. Cao attached several frivolous documents to each of these unsigned returns.

63. Such documents included unsigned Forms 1040 for Cao, Forms 1099-OID, "Affidavit[s] of Truth" signed by Cao, Forms UCC-1, "Private Discharging and Indemnity Bond[s]" signed by Cao, Forms 56 (naming the U.S. Treasury Secretary as fiduciary); Forms 1096 signed by Cao; Forms 1040-V (Payment Voucher) (listing no payments); and "Commercial Oath and Verification[]."

1           64.   Cao had reason to know that it was frivolous to file unsigned tax returns and  
2 documents purporting to create a fiduciary relationship between the U.S. Treasury  
3 Secretary and Cao and his related companies.

4                           **Harm Caused by Cao's Misconduct and Tax-Fraud Scheme**

5           65.   Cao prepared and filed at least fifteen individual and corporate tax returns  
6 that overstate withholding and claim unwarranted refunds. Many of the refund requests  
7 on these fraudulent returns exceed \$200,000 and one return requests a refund of \$  
8 21,026,172. The total amount of refunds requested on these fifteen returns is over \$34  
9 million.

10          66.   Each of the fifteen returns detailed above overstate withholding amounts and  
11 fraudulently request refunds.

12          67.   The scheme employed by Cao is part of a growing trend among tax defiers  
13 nationwide to file frivolous tax returns and other forms with the IRS and courts in an  
14 attempt to escape their federal tax obligations and steal from the U.S. Treasury.

15          68.   In reliance on Cao's services, his customers have failed to file proper federal  
16 income tax returns which has either deprived his customers of proper tax refunds to  
17 which they may have been entitled or deprived the United States of additional tax  
18 revenue owed by their customers.

19          69.   While the IRS is able to detect and stop most fraudulent refund claims, Cao's  
20 fraudulent tax return preparation has resulted in the IRS's issuance of at least \$1,152,489  
21 in erroneous overpayments to his customers.

22          70.   In addition to the lost revenue due to the issuance of erroneous refunds, the  
23 government has also incurred the expense of conducting the investigation of Cao's  
24 fraudulent return preparation and responding to and processing the frivolous documents  
25 Cao submitted to the IRS.



1 his customers' tax liabilities and Cao's reckless or intentional disregard of internal  
2 revenue laws and regulations.

3 80. Injunctive relief is appropriate to prevent this misconduct because, absent an  
4 injunction, Cao is likely to prepare more false and fraudulent federal income tax returns  
5 and engage in other misconduct as described in this complaint.

6 81. Additionally, Cao has continually and repeatedly prepared returns that  
7 include fraudulent refund claims.

8 82. Cao should be permanently enjoined under 26 U.S.C. § 7407 from acting as  
9 a federal tax return preparer because a more limited injunction would be insufficient to  
10 stop him from interfering with the proper administration of the tax laws.

11 **Count II: Injunction Under 26 U.S.C. §§ 7408 for Violations of §§ 6700 and 6701**

12 83. The United States incorporates by reference the allegations contained in  
13 paragraphs 1 through 82.

14 84. Under 26 U.S.C. § 7408, a district court may enjoin any person from, *inter*  
15 *alia*, engaging in conduct subject to penalty under 26 U.S.C. §§ 6700 or 6701 if  
16 injunctive relief is appropriate to prevent recurrence of that conduct.

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

22 86. In 2008, Cao organized or assisted with the organization of a plan or  
23 arrangement and in doing so made or caused another person to make false and fraudulent  
24 statements with respect to the tax benefits of participating in the plan or arrangement  
25 which Cao knew or had reason to know were false.

26 87. In particular, Cao prepared tax returns for others that fraudulently requested  
27 large tax refunds from the Government, despite the fact that Cao knew or had reason to  
28

1 know that any such refunds were predicated on the submission of fraudulent documents  
2 to the IRS.

3 88. As a result Cao engaged in conduct subject to penalty under 26 U.S.C. §  
4 6700.

5 89. Section 6701 imposes a penalty on any person who aids or assists in,  
6 procures, or advises with respect to, the preparation of any portion of a return, affidavit,  
7 claim, or other document, who knows (or has reason to believe) that such portion will be  
8 used in connection with any material matter arising under the internal revenue laws, and  
9 who knows that such portion (if so used) would result in an understatement of the  
10 liability for tax of another person.

11 90. Cao prepared and aided or assisted in the preparation and filing of federal  
12 income tax returns and other documents that resulted in the understatement of his  
13 customers' tax liabilities.

14 91. As a result Cao has engaged in conduct subject to penalty under 26 U.S.C. §  
15 6701.

16 92. Cao has shown no remorse for his actions and continues to file false and  
17 fraudulent tax returns and frivolous documents even after being warned by the IRS that  
18 his positions are frivolous.

19 93. Injunctive relief is appropriate to prevent recurrence of Cao's misconduct.

20 **Count III: Injunction Under 26 U.S.C. § 7402**

21 94. The United States incorporates by reference the allegations contained in  
22 paragraphs 1 through 93.

23 95. Under 26 U.S.C. § 7402(a), a court may issue injunctions as may be  
24 necessary or appropriate for the enforcement of the internal revenue laws, even if the  
25 United States has other remedies available for enforcing those laws.

26 96. Cao substantially interferes with the enforcement of the internal revenue  
27 laws by promoting his "redemption" or "commercial redemption" tax-fraud scheme and  
28

1 filing fraudulent and frivolous federal tax returns and other documents on behalf of his  
2 customers.

3 97. As a result of Cao's misconduct and his fraudulent refund claims, his  
4 customers fail to file proper tax returns, and, consequently, may be penalized under 26  
5 U.S.C. § 6676 for up to 20 percent of the excessive and fraudulent refund claim.  
6 Additionally, the U.S. Treasury has issued erroneous refunds for hundreds of thousands  
7 of dollars, and IRS employees have spent taxpayer money investigating Cao's conduct,  
8 halting the issuance of erroneous refunds, and recovering erroneous refunds that have  
9 already been issued.

10 98. Cao's conduct results in irreparable harm to the United States and to the  
11 public for which there is no adequate remedy at law.

12 99. Cao's conduct interferes with the proper administration of the Internal  
13 Revenue Code because it results in frivolous filings with the IRS that harass public  
14 officials and hinder the IRS's ability to determine the correct tax liabilities of Cao's  
15 customers.

16 100. Unless enjoined by this Court, Cao will continue to promote and administer  
17 his tax-fraud scheme.

18 101. The United States is entitled to injunctive relief under 26 U.S.C. § 7402(a) to  
19 prevent the recurrence of this misconduct.

20 WHEREFORE, Plaintiff, the United States of America, prays for the following  
21 relief:

22 A. That the Court find that Cao has continually and repeatedly engaged in conduct  
23 subject to penalty under 26 U.S.C. §§ 6694, 6695, 6700, and 6701 and that injunctive  
24 relief is appropriate under 26 U.S.C. § 7402, 7407, and 7408 to bar Cao from acting as a  
25 tax return preparer and from engaging in conduct subject to penalty under 26 U.S.C. §§  
26 6700 and 6701;

1 B. That the Court find that Cao has engaged in conduct that substantially interferes  
2 with the enforcement and administration of the internal revenue laws, and that injunctive  
3 relief against him is appropriate to prevent the recurrence of that misconduct pursuant to  
4 26 U.S.C. §§ 7407 and 7402(a);

5 C. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a permanent injunction  
6 permanently barring Cao from acting as federal tax return preparer and from preparing or  
7 filing federal tax returns or forms for others, from representing others before the IRS, and  
8 from advising anyone concerning federal tax matters;

9 D. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a permanent injunction  
10 prohibiting Cao and his representatives, agents, servants, employees, attorneys,  
11 independent contractors, anyone in active concert or participation with them, from  
12 directly or indirectly;

13 (1) Preparing or filing, or assisting in, or directing the preparation or filing of  
14 any federal tax return or amended return or other related documents or forms for any  
15 other person or entity;

16 (2) Engaging in activity subject to penalty under 26 U.S.C. §§ 6694 or 6695;

17 (3) Engaging in any other activity subject to penalty under the Internal Revenue  
18 Code; and

19 (4) Engaging in other conduct that substantially interferes with the proper  
20 administration and enforcement of the internal revenue laws;

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

25 (1) Organizing or selling plans or arrangements that advise or assist taxpayers to  
26 attempt to evade the assessment or collection of such taxpayers' correct federal tax;

1 (2) Engaging in any other activity subject to penalty under 26 U.S.C. § 6700,  
2 including organizing or selling a plan or arrangement and making a statement regarding  
3 the excludability of income or securing of any other tax benefit by participating in the  
4 plan that he knows or has reason to know is false or fraudulent as to any material matter;

5 (3) Engaging in any activity subject to penalty under 26 U.S.C. § 6701; and

6 (4) Directly or indirectly organizing, promoting, marketing, or selling any plan  
7 or arrangement that advises or encourages taxpayers to attempt to violate internal revenue  
8 laws or unlawfully evade the assessment or collection of their federal tax liabilities,  
9 including promoting, selling, or advocating that taxpayers overstate federal income tax  
10 withholding and misuse Forms 1099-OID under false claims that:

11 i. Taxpayers have a secret account with the Treasury Department which  
12 they can use to pay their debts or which they can draw on for refunds through a  
13 process that is often called "redemption" or "commercial redemption";

14 ii. Taxpayers can name the Secretary of the Treasury as their fiduciary or  
15 can draw on the Treasury of the United States to pay their debts or tax using Forms  
16 1099-OID, bonded promissory notes, sights drafts or other documents;

17 iii. Taxpayers can issue Forms 1099-OID on behalf of a creditor and  
18 report the amount on the Form 1099-OID as withheld income;

19 iv. Taxpayers can issue Forms 1096 listing the government officials as  
20 fiduciaries;

21 v. Taxpayers can issue Forms 1040-V (Payment Voucher) that list no  
22 payment;

23 vi. Taxpayers can issue any other IRS forms in such a way as to assert  
24 that U.S. Government officials are their fiduciaries or to overstate their  
25 withholding; and  
26  
27

1 F. That this Court under 26 U.S.C. § 7402, enter a permanent injunction prohibiting  
2 Cao from preparing his own federal income tax returns and/or tax returns for entities that  
3 he owns or controls claiming false income tax withholding and overstated refunds based  
4 on his “redemption” theory;

5 G. That this Court under 26 U.S.C. § 7402, enter a permanent injunction prohibiting  
6 Cao from filing, providing forms for, or otherwise aiding and abetting the filing of  
7 frivolous Forms 1040, Forms 1099 or other IRS forms for himself or others, including the  
8 notarization or signing of certificates of service or similar documents in connection with  
9 the frivolous tax returns;

10 H. That this Court, under 26 U.S.C. § 7402, enter an injunction requiring Cao to  
11 contact by mail and email all persons who have purchased any products, services or  
12 advice associated with the false or fraudulent tax scheme described in this complaint and  
13 inform those persons of the Court’s findings concerning the falsity of Cao’s prior  
14 representations and attach a copy of the permanent injunction against Cao;

15 I. That this Court, under 26 U.S.C. § 7402, enter an injunction requiring Cao and his  
16 representatives, agents, servants, employees, attorneys, and those persons in active  
17 concert or participation with them, to remove all content from any websites and replace  
18 that content with a copy of the Court’s injunction for a period of three years.

19 J. That this Court, under 26 U.S.C. § 7402, order Cao to provide to the United States  
20 a list of all persons who have purchased any products, services or advice from him in the  
21 past three years;

22 K. That this Court allow the government full post-judgment discovery to monitor  
23 Cao’s compliance with the injunction; and

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2 L. That this Court grant the United States such additional relief as the Court deems  
3 just and appropriate.  
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5 Date: October 27, 2009

6 Respectfully submitted,

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