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16 Attorneys for Plaintiff,  
17 United States of America

18 IN THE UNITED STATES DISTRICT COURT FOR THE  
19 CENTRAL DISTRICT OF CALIFORNIA  
20 WESTERN DIVISION

21 UNITED STATES OF AMERICA,  
22 Plaintiff,  
23 v.  
24 ALEXANDER H. ADAMS, individually,  
25 and doing business as ADAMS  
26 BEACH INCOME TAX; BRANDON A.  
27 ADAMS; and GARRETT R. ADAMS,  
28 Defendants.

CV10 1852 AHM(SSx)  
Civil No. .  
Complaint for Permanent  
Injunction and Other Relief

29 Plaintiff, United States of America, for its complaint against Alexander H.  
30 Adams, individually, and doing business as Adams Beach Income Tax, Brandon  
31 A. Adams, and Garrett R. Adams (“defendants”), states as follows:

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CLERK U.S. DISTRICT COURT  
CENTRAL DIST. OF CALIF.  
LOS ANGELES

FILED

- 1 1. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and  
2 26 U.S.C. §§ 7402(a), 7407, and 7408.
- 3 2. This suit is brought under sections 7402, 7407, and 7408 of the Internal  
4 Revenue Code (26 U.S.C.) (I.R.C.) to enjoin defendants from the following  
5 activities:
- 6 (a) Preparing or filing, or assisting in, or directing the preparation or  
7 filing of any federal tax return, amended return or other federal tax  
8 documents or forms for any other person or entity;
- 9 (b) Directly or indirectly organizing, promoting, marketing, or selling  
10 any plan or arrangement that advises or assists taxpayers to attempt to  
11 violate internal revenue laws or unlawfully evade the assessment or  
12 collection of their federal tax liabilities, including promoting, selling,  
13 or advocating the use of false IRS Forms 1099 or other false IRS  
14 forms based on the false claims that:
- 15 I. Taxpayers can draw on the Treasury of the United States to  
16 pay their tax debt or other debt using Forms 1099-OID or other  
17 documents;
- 18 ii. Taxpayers can issue false Forms 1099-OID on behalf of a  
19 creditor and report on federal tax returns the amount on the  
20 false Form 1099 as federal income taxes withheld on their  
21 behalf; and
- 22 iii. Taxpayers have an account with the Treasury Department from  
23 which they can draw funds through a process that is often  
24 called “redemption” or “commercial redemption.”
- 25 (c) Engaging in conduct subject to penalty under 26 U.S.C. § 6700,  
26 including organizing or selling a plan or arrangement and making or  
27 furnishing a statement regarding the excludability of income or  
28 securing any other tax benefit that defendants know or have reason to

1 know is false or fraudulent as to any material matter;

2 (d) Engaging in conduct subject to penalty under 26 U.S.C. § 6701,  
3 including preparing and filing tax returns and other documents that  
4 understate the tax liabilities of others;

5 (e) Preparing their own federal income tax returns claiming income  
6 withholding and refunds based on amounts shown in Forms 1099  
7 issued to their own creditors;

8 (f) Filing, providing forms for, or otherwise aiding and abetting the  
9 filing of frivolous Forms 1040, 1040X, 1099 or any other IRS forms  
10 for themselves or others, including the notarization or signing of  
11 certificates of service or similar documents in connection with the  
12 frivolous tax returns;

13 (g) Representing anyone other than themselves before the Internal  
14 Revenue Service; and

15 (h) Engaging in any other conduct that is subject to penalty under the  
16 Internal Revenue Code or that interferes with the proper  
17 administration and enforcement of the internal revenue laws.

18 3. This action has been requested by the Chief Counsel of the Internal  
19 Revenue Service, a delegate of the Secretary of the Treasury, and  
20 commenced at the direction of a delegate of the Attorney General under 26  
21 U.S.C. §§ 7402, 7407, and 7408.

22 **Defendants**

23 4. Alexander Adams resides in Huntington Beach, California, and does  
24 business as Adams Beach Income Tax, which operates in the Huntington  
25 Beach, California area. Venue is thus proper in this Court under 28 U.S.C.  
26 § 1391. Alexander Adams prepares federal tax returns and other tax-related  
27 documents for compensation.

- 1 5. Garrett Adams, the son of Alexander Adams, also resides in Huntington  
2 Beach, California. Venue is thus proper in this Court under 28 U.S.C. §  
3 1391. Garrett Adams prepares federal tax returns and other tax-related  
4 documents for compensation.
- 5 6. Brandon Adams, the son of Alexander Adams, also resides in Huntington  
6 Beach, California. Venue is thus proper in this Court under 28 U.S.C. §  
7 1391. Brandon Adams actively promotes the defendants' tax fraud scheme,  
8 which is detailed below.
- 9 7. Defendants have prepared at least 1,421 federal tax returns since 2006.
- 10 8. In 2008 and 2009, defendants prepared and/or filed fraudulent federal  
11 income tax returns (IRS Form 1040) and amended federal income tax  
12 returns (IRS Form 1040X) for tax years 2005, 2006, 2007, and 2008, and  
13 prepared and/or filed with the IRS other frivolous documents on behalf of  
14 others in exchange for compensation.

#### 15 **The Defendants' Tax Fraud Scheme**

- 16 9. Defendants promote a tax fraud scheme designed to siphon massive  
17 fraudulent tax refunds from the U.S. Treasury.
- 18 10. Defendants' tax-fraud scheme involves filing fraudulent federal income tax  
19 returns, amended federal income tax returns, and other frivolous documents  
20 with the IRS on behalf of their customers (and for themselves).
- 21 11. To steal tax refunds from the Treasury, defendants fabricate federal income  
22 tax withholdings on tax returns and other IRS documents they prepare. The  
23 fabricated tax withholding reported to the IRS on their customers' returns  
24 supports their fraudulent refund claims, some as large as \$2.5 million per  
25 customer.

#### 26 **Defendants Falsify IRS Forms To Perpetrate Scheme**

- 27 12. In support of their fraudulent refund claims, defendants prepare and file  
28 with the IRS false Forms 1099-OID, 1099-A, and Schedule B.

- 1
- 2 13. IRS Forms 1099-OID are properly used to report Original Issue Discount
- 3 (OID) income (and any federal income tax withheld from that income).
- 4 Original issue discount income refers to the difference between the
- 5 discounted price at which a debt instrument is sold at issuance, and the
- 6 stated redemption price at maturity. OID is generally included in a
- 7 taxpayer's income as it accrues over the term of the debt instrument,
- 8 whether or not the taxpayer actually receives payments from the issuer of
- 9 the debt instrument. OID is treated like a payment of interest, and a party
- 10 issuing a financial instrument generating OID must issue a Form 1099-OID.
- 11 14. IRS Forms Schedule B are properly used to report interest and dividend
- 12 income, and are attached to IRS Forms 1040.
- 13 15. The fraudulent Forms 1099-OID that defendants prepare and submit with
- 14 returns they prepare falsely state that their customers are "payees" who
- 15 receive OID income from their creditors.
- 16 16. The frivolous IRS Forms 1099-OID submitted with the returns that
- 17 defendants prepare typically show false OID income paid by a customer's
- 18 creditor – usually a credit card company, bank, or mortgage company – to
- 19 the customer.
- 20 17. The Forms 1099-OID that defendants prepare and submit also falsely state
- 21 that federal income taxes were withheld for the OID income purportedly
- 22 received by the customer.
- 23 18. Defendants prepare bogus tax returns reporting false income which equals
- 24 or approximates the total amount of the false "original issue discount," and
- 25 claim false withholding on the customer's IRS Form 1040 (or 1040X). On
- 26 the returns, defendants claim huge false refunds, often exceeding \$500,000.
- 27 Two of the returns defendants prepared for customers in 2009 included
- 28 fraudulent refund claims of \$2.5 million each.

- 1 19. Defendant Alexander Adams prepared and filed a fraudulent amended  
2 federal income tax return for his son, defendant Garrett Adams, requesting a  
3 bogus refund of \$2.5 million.
- 4 20. Defendant Alexander Adams prepared and filed a fraudulent amended  
5 federal income tax return for himself, seeking a bogus refund of \$361,147.
- 6 21. Consequently, defendants' customers fail to file correct federal income tax  
7 returns (and amended returns), and falsely claim tax refunds to which they  
8 are not entitled.
- 9 22. The IRS Forms Schedule B that defendants prepare and file with their  
10 customers' federal tax returns typically show the customer as the "payee" of  
11 purported interest income paid to them by a creditor.
- 12 23. The apparent purpose of defendants' frivolous IRS Forms 1040, 1040X,  
13 1099-OID, 1099-A, and Schedules B is to request fraudulent income tax  
14 refunds. The scheme is based in part on defendants' absurd claim that  
15 secret accounts exist that can be accessed to pay these bogus refund claims.
- 16 24. Defendants also claim that customers can use this tax scheme to cause the  
17 Government to reimburse the customers for their personal debts, such as  
18 credit card and mortgage debts.
- 19 25. In reality, regardless what forms are used or what they say, the defendants'  
20 scheme involves one central technique. Defendants fraudulently report that  
21 income tax was withheld from their customers, and then claim refunds  
22 based on those fabricated withholdings.
- 23 26. The table below sets forth 8 federal tax returns defendants prepared for  
24 customers and for themselves. These examples show the absurdly  
25 fraudulent refunds and federal income tax withholding claimed by  
26 defendants.
- 27
- 28

1 **Examples**

2

3 <b>Customer</b>	<b>Year Return Was Filed With IRS</b>	<b>Tax Year</b>	<b>Fraudulent Refund Requested</b>	<b>False Income Tax Withholding Claimed</b>
4 Christopher Otiko	2009	2006	\$2,547,041	\$3,864,603
5 <b>Defendant</b> 6 Garrett Adams	2009	2006	\$2,492,845	\$4,002,013
7 Sean Morton	2009	2007	\$1,754,594	\$2,845,361
8 Brian and Allana Mallory	2009	2007	\$401,120	\$580,314
9 Lisa Yang	2009	2006	\$494,739	\$754,075
10 Matthew Hoey	2009	2005	\$273,398	\$439,389
11 Melissa Morton	2009	2008	\$104,224	\$146,965
12 <b>Defendant</b> Alexander Adams	2009	2005	\$361,147	\$575,650

13

14 27. The IRS has identified at least 42 returns prepared and filed by the

15 defendants in 2008 and 2009 that request bogus refunds based on the

16 defendants' fraudulent Forms 1099-OID, 1099-A, and Schedules B. Many

17 of the refund requests on these fraudulent returns exceed \$500,000 and, on

18 two returns, defendants requested fraudulent refunds of \$2.5 million each.

19 The total amount of bogus refunds requested by defendants on those 42

20 returns is approximately \$15.2 million, and the IRS erroneously issued

21 \$629,735 in refunds.

22 **Brandon Adams Promotes Defendants' Tax Fraud Scheme**

23 28. Brandon Adams promotes the defendants' OID tax scheme through live

24 seminars, websites, telephone conference calls, DVDs, and CDs. He is

25 compensated for his promotional activities.

26 29. Brandon Adams falsely informs potential customers and customers that, if

27 the customers use defendants' tax scheme, the Government will refund all

28 payments the customers have made toward their personal debts, such as

1 credit card and mortgage debts.

- 2 30. Brandon Adams also provides private instruction for customers, teaching  
3 them how to prepare and falsify the IRS forms defendants use in their tax  
4 scheme. He charges \$100 to \$200 per hour for such instruction. For  
5 example, Brandon Adams teaches customers how to prepare IRS Forms  
6 1099-OID and 1099-A for use in defendants' tax scheme.

7 **Tax Scheme Spreading Across Nation**

- 8 31. The OID tax fraud scheme – which defendants promote and use – has been  
9 spreading across the nation since 2008, creating significant enforcement  
10 challenges for the IRS. Scheme perpetrators, such as these defendants, have  
11 already cost the United States millions of dollars in unrecovered fraudulent  
12 refunds. Accordingly, the IRS issued a nationwide “problem alert” warning  
13 taxpayers about the same tax scheme that defendants are promoting in this  
14 case, on October 10, 2008:

15 <http://www.irs.gov/newsroom/article/0,,id=98129,00.html>

- 16 32. Defendants' scheme is part of a growing trend among tax defiers to file  
17 frivolous tax returns and false Forms 1099-OID or other false IRS forms  
18 with the IRS and courts in an attempt to escape their federal tax obligations  
19 and steal from the U.S. Treasury.
- 20 33. Other courts have enjoined tax return preparers for promoting the very same  
21 tax schemes and for preparing the same type of bogus tax returns and  
22 supporting documentation. *See, e.g., United States v. Teresa Marty, et al.*,  
23 at: <http://www.usdoj.gov/opa/pr/2009/September/09-tax-937.html>; *see also*  
24 *United States v. Kahn*, 2004 WL 1089116, \*1 (March 30, 2004 M.D. Fla.)  
25 (court held defendants in violation of injunction that arose from defendants'  
26 promotion of abusive tax schemes including “outlandish mechanisms” such  
27 as using counterfeit bonds and checks to draw on fictitious treasury  
28 accounts supposedly in their customers' name). Other courts have

1 condemned the tax scheme. *Ray v. Williams*, 2005 WL 697041, \*5-6  
2 (March 24, 2005 D. Or.) (in considering prison's bar on the delivery of the  
3 book "Cracking the Code, Third Edition," held that book contained  
4 fraudulent claim of "Redemptionists" that direct treasury account exists that  
5 has a balance equal to the monetary value the government places on the life  
6 of an individual); *Monroe v. Beard*, 2007 WL 2359833, \*2 (Aug. 16, 2007  
7 E.D. Pa.) (characterized Redemption as an "anti-government scheme that  
8 utilizes commercial law to harass and terrorize its targets").

- 9 34. In reliance on the defendants' services, their customers have failed to file  
10 proper federal income tax returns, which has either deprived the customers  
11 of proper tax refunds to which they may have been entitled, or deprived the  
12 United States of additional tax revenue owed by their customers.

#### 13 Harm

- 14 35. Defendants have requested at least \$15.2 million in fraudulent refunds since  
15 2008, and have caused the IRS to issue at least \$629,735 in erroneous  
16 refunds. The IRS has only recovered \$6,660 of the erroneous refunds it  
17 issued.
- 18 36. The Government has spent at least \$37,000 investigating defendants' tax  
19 scheme, their fraudulent return preparation, and responding to and  
20 processing the frivolous documents defendants submitted to the IRS.
- 21 37. The false Forms 1040, 1040X, 1099-OID, 1099-A, and Schedule B  
22 prepared and submitted by defendants also may cause the assessment of  
23 frivolous filing penalties against defendants' customers, and erroneous  
24 penalties against the creditors identified in the forms for failing to timely or  
25 accurately submit the forms to the IRS.

**Count I: Injunction Under 26 U.S.C. § 7407**

- 1
- 2 38. The United States incorporates by reference the allegations contained in
- 3 paragraphs 1 through 37.
- 4 39. Internal Revenue Code § 7407 authorizes the United States to seek an
- 5 injunction against any tax return preparer who has engaged in any
- 6 “fraudulent or deceptive conduct which substantially interferes with the
- 7 proper administration of the Internal Revenue laws,” or who has “engaged
- 8 in any conduct subject to penalty under section 6694 or 6695.”
- 9 40. If a return preparer’s misconduct is continual or repeated, and the Court
- 10 finds that a narrower injunction (*i.e.* prohibiting specific enumerated
- 11 conduct) would not be sufficient to prevent the preparer’s interference with
- 12 the proper administration of federal tax laws, the Court may enjoin the
- 13 person from further acting as a return preparer.
- 14 41. Defendants Alexander Adams and Garrett Adams have continually and
- 15 repeatedly prepared and filed with the IRS false and frivolous federal
- 16 income tax returns (and amended returns), and other fraudulent tax-related
- 17 documents on behalf of their customers.
- 18 42. As a result, defendants Alexander Adams and Garrett Adams have
- 19 repeatedly and continually engaged in fraudulent or deceptive conduct
- 20 which substantially interferes with the proper administration of the Internal
- 21 Revenue laws.
- 22 43. Alexander Adams and Garrett Adams have repeatedly and continually
- 23 prepared and filed federal tax returns that understate their customers’ tax
- 24 liabilities as a result of unreasonable and frivolous claims and, thus, have
- 25 engaged in conduct subject to penalty under 26 U.S.C. § 6694.
- 26 44. Alexander Adams and Garrett Adams have repeatedly and continually
- 27 prepared and filed federal income tax returns (and amended returns) that
- 28 understate their customers’ tax liabilities as a result of defendants’ willful

1 attempts to understate their tax liabilities, and/or defendants' reckless  
2 and/or intentional disregard of internal revenue laws and regulations, and,  
3 thus, have engaged in conduct subject to penalty under 26 U.S.C. § 6694.

4 45. Injunctive relief is appropriate to prevent this misconduct because, absent  
5 an injunction, defendants Alexander Adams and Garrett Adams are likely to  
6 continue to prepare and file false federal income tax returns and engage in  
7 other misconduct of the type described in this complaint.

8 46. Defendants Alexander Adams and Garrett Adams have continually and  
9 repeatedly prepared returns that include fraudulent refund claims.

10 47. Defendants Alexander Adams and Garrett Adams should be permanently  
11 enjoined under 26 U.S.C. § 7407 from acting as federal tax return preparers  
12 because a limited injunction would be insufficient to stop them from  
13 interfering with the proper administration of the tax laws.

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

15 48. The United States incorporates by reference the allegations contained in  
16 paragraphs 1 through 47.

17 49. I.R.C. § 7408 authorizes a district court to enjoin any person from, *inter*  
18 *alia*, engaging in conduct subject to penalty under I.R.C. §§ 6700 or 6701 if  
19 injunctive relief is appropriate to prevent recurrence of that conduct.

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

26 51. The defendants organized and participated in the sale of a plan or  
27 arrangement and, in doing so, made false and fraudulent statements with

1 respect to the tax benefits of participating in the plan or arrangement which  
2 defendants knew or had reason to know were false.

- 3 52. Defendants falsely promised larger tax refunds from the Government,  
4 which defendants knew or had reason to know was predicated on the  
5 submission of fraudulent documents to the IRS.
- 6 53. As a result, defendants engaged in conduct subject to penalty under 26  
7 U.S.C. § 6700.
- 8 54. Section 6701 imposes a penalty on any person who aids or assists in,  
9 procures, or advises with respect to, the preparation or presentation of any  
10 portion of a return, affidavit, claim, or other document, who knows (or has  
11 reason to believe) that such portion will be used in connection with any  
12 material matter arising under the internal revenue laws, and who knows that  
13 such portion (if so used) would result in an understatement of the liability  
14 for tax of another person.
- 15 55. Defendants prepared and aided or assisted in the preparation and/or filing of  
16 federal income tax returns and other documents that resulted in the  
17 understatement of their customers' tax liabilities.
- 18 56. Defendants knew or had reason to believe that the fraudulent documents  
19 they prepared and/or filed with the IRS – including bogus IRS Forms 1040,  
20 Forms 1040X, 1099-OID, 1099-A, and Schedule B – would drastically  
21 understate their customers' federal income tax liabilities.
- 22 57. As a result, defendants have engaged in conduct subject to penalty under 26  
23 U.S.C. § 6701.
- 24 58. Injunctive relief is appropriate to prevent recurrence of defendants' penalty  
25 conduct.

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

- 27 59. The United States incorporates by reference the allegations contained in  
28 paragraphs 1 through 58.

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

4 61. Defendants substantially interfere with the enforcement of the internal  
5 revenue laws by promoting their “redemption” or “commercial redemption”  
6 tax-fraud scheme and filing frivolous federal tax returns and other  
7 documents on behalf of their customers.

8 62. As a result of the defendants’ misconduct, their customers fail to file proper  
9 tax returns, erroneous refunds for hundreds of thousands of dollars have  
10 been issued to their customers, and the customers are potentially liable for  
11 substantial penalties.

12 63. Defendants’ conduct causes irreparable harm to the United States and to the  
13 public for which there is no adequate remedy at law.

14 64. Unless enjoined by this Court, the defendants will continue to promote and  
15 administer this tax-fraud scheme.

16 65. The United States is entitled to injunctive relief under I.R.C. § 7402(a) to  
17 prevent the recurrence of this misconduct.

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

20 A. That the Court find that defendants Alexander Adams and Garrett  
21 Adams have continually and repeatedly engaged in conduct subject to penalty  
22 under 26 U.S.C. §§ 6694, 6695, 6700, and 6701, and that injunctive relief is  
23 appropriate under 26 U.S.C. §§ 7402, 7407, and 7408 to bar defendants Alexander  
24 Adams and Garrett Adams from acting as tax return preparers, and from engaging  
25 in conduct subject to penalty under 26 U.S.C. §§ 6700 and 6701;

26 B. That the Court find that defendant Brandon Adams has engaged in  
27 conduct subject to penalty under 26 U.S.C. § 6700, and that injunctive relief is  
28 appropriate under 26 U.S.C. §§ 7402 and 7408, barring Brandon Adams from

1 engaging in conduct subject to penalty under 26 U.S.C. § 6700.

2 C. That the Court find that defendants Alexander Adams and Garrett  
3 Adams have engaged in conduct that substantially interferes with the enforcement  
4 and administration of the internal revenue laws, and that injunctive relief against  
5 defendants is appropriate to prevent the recurrence of that misconduct pursuant to  
6 26 U.S.C. §§ 7407 and 7402(a);

7 D. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a permanent  
8 injunction permanently barring defendants Alexander Adams and Garrett Adams  
9 from acting as federal tax return preparers and from preparing or filing federal tax  
10 returns or forms for others, from representing others before the IRS, and from  
11 advising anyone concerning federal tax matters;

12 E. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a permanent  
13 injunction prohibiting defendants Alexander Adams and Garrett Adams, and their  
14 representatives, agents, servants, employees, attorneys, independent contractors,  
15 anyone in active concert or participation with them, from directly or indirectly;

- 16 (1) Preparing or filing, or assisting in, or directing the preparation  
17 or filing of any federal income tax return, amended return, IRS  
18 Forms 1099-OID, 1099-A, Schedule B, or any other related  
19 documents or forms for any other person or entity;
- 20 (2) Engaging in activity subject to penalty under 26 U.S.C. §§  
21 6694 or 6695;
- 22 (3) Engaging in any other activity subject to penalty under the  
23 Internal Revenue Code; and
- 24 (4) Engaging in other conduct that substantially interferes with the  
25 proper administration and enforcement of the internal revenue  
26 laws;

1 F. That this Court, under 26 U.S.C. §§ 7402 and 7408, enter a  
2 permanent injunction prohibiting defendants and their representatives, agents,  
3 servants, employees, and anyone in active concert or participation with them, from  
4 directly or indirectly by means of false, deceptive, or misleading commercial  
5 speech:

- 6 (1) Organizing or selling tax shelters, plans or arrangements that  
7 advise or assist taxpayers to attempt to evade the assessment or  
8 collection of such taxpayers' correct federal tax;
- 9 (2) Engaging in any other activity subject to penalty under 26  
10 U.S.C. § 6700, including organizing or selling a plan or  
11 arrangement and making a statement regarding the  
12 excludability of income or securing of any other tax benefit by  
13 participating in the plan that defendants know or have reason  
14 to know is false or fraudulent as to any material matter;
- 15 (3) Engaging in any activity subject to penalty under 26 U.S.C. §  
16 6701; and
- 17 (4) Directly or indirectly organizing, promoting, marketing, or  
18 selling any plan or arrangement that advises or encourages  
19 taxpayers to attempt to violate internal revenue laws or  
20 unlawfully evade the assessment or collection of their federal  
21 tax liabilities, including promoting, selling, or advocating the  
22 use of the "commercial redemption" theory and false IRS  
23 Forms 1099-OID based on the false claims that:
  - 24 I. Taxpayers can draw on the Treasury of the United States  
25 to pay their tax debt or other debt using Forms 1099-  
26 OID or other documents;
  - 27 ii. Taxpayers can issue false Forms 1099-OID on behalf of  
28 a creditor and report the amount on the false Form 1099

1 as federal income taxes withheld on their behalf; and

2 iii. Taxpayers have an account with the Treasury  
3 Department from which they can draw funds through a  
4 process that is often called "redemption" or "commercial  
5 redemption."

6 G. That this Court, under 26 U.S.C. § 7402, enter a permanent  
7 injunction prohibiting defendants from preparing their own federal income tax  
8 returns claiming false income tax withholding and refunds, whether or not they  
9 are based on amounts shown in false Forms 1099-OID issued to their creditors  
10 and false Forms Schedule B;

11 H. That this Court, under 26 U.S.C. § 7402, enter a permanent  
12 injunction prohibiting defendants from filing, providing forms for, or otherwise  
13 aiding and abetting the filing of frivolous Forms 1040, Forms 1040X, Forms  
14 1099-OID, and Schedules B for themselves or others;

15 I. That this Court, under 26 U.S.C. § 7402, enter an injunction requiring  
16 defendants, within 20 days of entry of the injunction order, to contact by mail (and  
17 also by e-mail, if an address is known) all persons who have purchased or  
18 otherwise received any products, services or advice from defendants since January  
19 1, 2007, enclosing a copy of the permanent injunction order against defendants.  
20 The injunction also should order defendants to certify with the Court, under  
21 penalty of perjury, within 20 days of entry of the injunction order, that they have  
22 complied with the requirements set forth in paragraphs I and J;

23 J. That this Court, under 26 U.S.C. § 7402, order defendants, within 20  
24 days of entry of the injunction order, to provide to counsel for the United States a  
25 list of all persons for whom they have prepared federal tax returns, and who have  
26 purchased any products, services or advice from defendants since January 1, 2007;

27 K. That this Court allow the Government full post-judgment discovery

1 to monitor defendants' compliance with the injunction; and

2 L. That this Court grant the United States such other and further relief as  
3 the Court deems just and appropriate.

4  
5 Date: March 15, 2010

6 Respectfully submitted;

7  
8 ANDRÉ BIROTTE JR.  
United States Attorney

9  
10 /s/ Grayson A. Hoffman  
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