

IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF FLORIDA

UNITED STATES OF AMERICA)	
)	
Plaintiff,)	
)	
v.)	Civil No. 5:11-CV-00326-RS-EMT
)	
JUDY GRACE SELLERS)	
)	
Defendant.)	

FIRST AMENDED COMPLAINT FOR INJUNCTIVE RELIEF

Plaintiff, United States of America, for its complaint against Judy Grace Sellers (“Sellers” or “defendant”) states as follows:

1. Jurisdiction is conferred on this Court by 28 U.S.C. § 1340 and 1345 and 26 U.S.C. §§ 7402(a) and 7408.
2. This suit is brought under §§ 7402 and 7408 of the Internal Revenue Code (“26 U.S.C.”) (“I.R.C.”) to enjoin Sellers, from the following activities:
 - (a) Preparing or assisting in, or directing the preparation or filing of any federal tax return, amended return or other federal tax documents or forms for any other person or entity;
 - (b) Directly or indirectly organizing, promoting, marketing, or selling any plan or arrangement that advises or assists taxpayers to attempt to violate internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including promoting, selling, or advocating the use of false Forms 1099-OID based on the false claims that:

- i. Taxpayers can name the Secretary of the Treasury as their fiduciary and/or can draw on the Treasury of the United States to pay their tax debt or other debt using Forms 1099-OID, bonded promissory notes, sight drafts or other documents;
 - ii. Taxpayers can issue false Forms 1099-OID to a creditor and report the amount on the false Form 1099 as income taxes withheld on their behalf; and
 - iii. Taxpayers have an account with the Treasury Department which they can use to pay their debts or which they can draw on for refunds through a process that is often called “redemption” or “commercial redemption.”
- (c) Engaging in conduct subject to penalty under 26 U.S.C. § 6700, including organizing or selling a plan or arrangement and making or furnishing a statement regarding the excludability of income or securing any other tax benefit that she knows or has reason to know is false or fraudulent as to any material matter;
- (d) Engaging in conduct subject to penalty under 26 U.S.C. § 6701, including preparing and filing tax returns and other documents that understate the tax liabilities of others;
- (e) Preparing her own federal income tax returns claiming income withholding and refunds based on amounts shown in Forms 1099-OID issued to her creditors;
- (f) Filing, providing forms for, or otherwise aiding and abetting the filing of frivolous Forms 1040 or Forms 1099 for herself or others, including the notarization or

signing of certificates of service or similar documents in connection with the frivolous tax returns;

(g) Representing anyone other than herself before the Internal Revenue Service;

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

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

Defendant

4. Judy Sellers (“Sellers”) resides in Chipley, Florida where she engages in promoting the abusive tax-fraud scheme for which the United States is seeking an injunction. Venue is thus proper in this Court under 28 U.S.C. § 1391.

5. Sellers is the creator and owner of the website CommercialRedemption.com.

6. Sellers is also the webmaster, registrant, administrative, and technical contact for the domain name www.statusisfreedom.com.

7. In 2001, Sellers was found guilty of two counts of falsely making, forging, and counterfeiting obligations of the United States pursuant to 18 U.S.C. § 471.

Proper Reporting Procedures for Certain Income and Tax Withholdings

8. The IRS requires that certain entities file documents called “information returns.” These documents provide the IRS information about, for example, money paid to an individual taxpayer

by an entity and any federal income tax that the entity withheld. A common information return is the Form W-2 that an employer files with the IRS to report income paid to an employee and federal income tax withheld on the employee's behalf.

9. Another information return is Form 1099-OID, which is used to report original issue discount ("OID") income and any federal income tax withheld from that income. OID income refers to the difference between the discounted price at which a debt instrument is sold at issuance, and the stated redemption price at maturity.

10. For example, if a taxpayer buys for \$950 a 10-year bond with a stated redemption price at maturity of \$1,000, the OID is \$50. The taxpayer must account for the interest that accrues during each of the ten years, toward the ultimate \$50 of total OID interest. Although the taxpayer does not actually receive the interest each year, it must be reported on the taxpayer's income tax return each year.

11. If any federal tax is withheld from the OID amount each year, the withholding is also reported on Form 1099-OID.

12. The party that issues a debt instrument that generates OID must issue a Form 1099-OID. The Form 1099-OID must be filed with the IRS and is typically sent to the taxpayer for reference.

13. If a taxpayer has OID interest income to report, he or she must record it on IRS Form Schedule B. Schedule B must be attached to the taxpayer's federal income tax return, and information from Schedule B is reported on the taxpayer's federal income tax return.

14. An entity that issues information returns like Form 1099-OID must also submit to the IRS a Form 1096, "Annual Summary and Transmittal of U.S. Information Returns." Form 1096

contains a summary of the total contents of all of the Forms 1099-OID that the entity filed for a particular tax year.

15. An additional “information return” that must be filed with the IRS and is relevant to this Complaint is IRS Form 1099-A, “Acquisition or Abandonment of Secured Property” and IRS Form 1099-C, “Cancellation of Debt.” A taxpayer must file Form 1099-A to report income resulting from cancellation of a borrower’s indebtedness because of the acquisition of property as security for the debt.

Sellers’ Abusive Website Promotion Activities

16. Sellers, through the websites www.commercialredemption.com, and www.statusisfreedom.com, promotes the “redemption” scheme based on the notion that the government has created a “strawman” for each United States citizen and that there is an account at the Treasury Department for the strawman.

17. On the website www.commercialredemption.com, Sellers solicits customers for “Document Preparation Services” to complete the redemption scheme and advises customers to “become a Secured Party Creditor” and “set-off all of [their] debts.”

18. The home page of www.commercialredemption.com states: “we will provide you with the most current documentation available in the “redemption” process, as it applies to the “secured party creditor’ position...aka ‘establishing your private exemption account.’ We will prepare your “basic” documents, provide mailing instructions, and probably give you the best “price” you’ll find anywhere!”

19. Although the “contact us” section of the www.commercialredemption.com website

claims not to “prepare any documentation in reference to the 1099-OID process, in 2008, the website contained information regarding the 1099-A and 1099-OID processes. The website also stated that “several files in reference to the 1099-OID processes” can be found on another section of the website. Another page of the website listed articles and documents related to “1099-OID Information.”

20. One of the links in the section “1099-OID Information” was titled “REPORT 1099-CONFIDENTIAL REPORT.” Page 3, paragraph k of this report states “when opening a credit card account, applying for a mortgage, and including any previously ‘paid’ property taxes, these so-called debts are the ones we want to claim on the 1099-OID since this is ‘stolen credit. . .’ We should then expect to be reimbursed through IRS (the accountants and clearinghouse for the Treasury) for the use of our credit which was wrongly appropriated and identified.”

21. Currently, the “links” section of the website links directly to www.statusisfreedom.com, a website that Sellers helps to maintain. This website is associated with Sam Davis, who is associated with the “Sovereign Movement,” an anti-government organization whose members claim to believe, among other things, that they do not have to pay taxes.

22. On March 25, 2011, Sam Davis pled guilty to one count of conspiracy to commit money laundering and 30 counts of money laundering in a criminal case filed against him in the federal court for the district of Nevada. (2:09-cr-00078-JCM-RJJ-1).

23. Currently, www.statusisfreedom.com is active and contains an update dated March 25, 2011, with links to a “Message from Sam” and a “Change of Plea to Guilty.”

24. The website www.statusisfreedom.com contains multiple links to the website www.commercialredemption.com.

25. According to the www.commercialredemption.com website, the “basic package” of documents Sellers provides to set up the Secured Party Creditor position consists of: UCC-1 Financing Statement (Notice of Security Interest - Notice of Lien), Notice of Security Agreement (Agreement of the Parties - to be recorded locally), Power of Attorney (over the STRAWMAN), Birth Certificate Bond (to be deposited at the US Treasury), Form 56 (notice concerning fiduciary relationship), IRS Form W-8BEN (serves notice to the Secretary of the correct status of the issuer of the bond, i.e., it is issued by a man, and it counters any presumption that the issuer might be considered to be a fictional entity/strawman), Declaration of Status (notice of change of status, attached to the W-8BEN), IRS Form 1040-V (initial payment voucher for account adjustment) Cover Letters, Registered mail stickers and other mailing essentials . . . i.e. return receipt/green cards, etc.. all properly filled out and included with mailing instructions.”
26. Sellers answers e-mail correspondence from customers regarding the redemption scheme and the 1099-OID process.
27. Sellers answers correspondence sent through the “contact us” link of the www.commercialredemption.com website.
28. Sellers also answers e-mails directed to the www.statusisfreedom.com website.
29. Generally, Sellers prepares and asks her customers to sign and notarize a Security Agreement between the customer and his or her strawman and a Power of Attorney, which essentially appoints the customer as Power of Attorney for the strawman.
30. Sellers instructs her customers to file the Notice of Security Agreement and the Power of Attorney at their local courthouse and send her the recorded copy of the Notice of Security Agreement along with a certified birth certificate. She then prepares the UCC-1 Financing

Statement, and after the UCC-1 is filed, mails, or instructs her customers to mail, the certified birth certificate stamped with “Acceptance for Value (AFV)” and the paperwork for the birth certificate bond to the Treasury. The birth certificate is supposed to serve as the security for the bond.

31. The documents Sellers prepares and provides to others set the foundation for her customers to file other documents with the Treasury Department and to prepare federal income tax returns reporting false income, withholding, and refunds due.

32. Sellers advises customers to complete this Secured Party Creditor process to gain access to their “prepaid account” before filing their income tax return and Forms 1099-OID.

33. In conjunction with the Secured Party Creditor document promotion, Sellers has also advised customers in the preparation of fraudulent Forms 1099-OID, or referred them to other individuals who can prepare the forms for them.

34. For example, in 2008, Sellers referred customers to Teresa Marty for assistance with the 1099-OID submission process. In 2009, the district court for the Eastern District of California enjoined Marty from preparing tax returns for others as a result of her preparation of tax returns claiming bogus refunds based on false Forms 1099-OID. (2:09-cv-00600-FCD-EFB).

35. Sellers has prepared Forms 1099-OID and at least one income tax return for her customers.

36. The frivolous IRS Forms 1099-OID filed by Sellers’ customers are purportedly issued or received by her customer to or from a creditor of the customer, usually a credit card or mortgage company. The amount of the false Original Issue Discount reported appears to be in an amount needed to satisfy a debt (usually everyday expenses such as a mortgage, car loan, or credit card

debt) owed by the customer to the creditor. The IRS Forms 1099-OID report tax withholding for the full amount of the phony Original Issue Discount.

37. The total amount of the false OID and false withholding are then claimed on the customer's IRS Form 1040. The result of this is an inflated tax liability for the customer, but with a large false refund claim, oftentimes exceeding \$100,000.

38. Consequently, Sellers' customers fail to file proper federal income tax returns and falsely claim tax refunds to which they are not entitled.

39. At least 15 of Sellers' customers have filed false federal income tax returns claiming false refunds that exceed \$6 billion.

40. The apparent purpose of Sellers' Secured Party Creditor position is to request fraudulent tax refunds by accessing a non-existent Treasury account.

41. In reality, documents filed by Sellers' customers report fraudulent tax withholdings and claim refunds based on those non-existent withholdings.

42. For example:

- a. Mr. John Haseney, a customer of Sellers who worked with her in the fall of 2008 to create the fraudulent "Secured Party Creditor" position, later filed a 2008 Form 1040 that falsely claimed he earned \$790,550.00 in interest income.
- b. The \$790,550.00 figure is based on 12 bogus Forms 1099-OID showing purported original issue discount income totaling \$790,550.00.
- c. Each Form 1099-OID reports an original issue discount in an amount only slightly larger than a purported amount of federal income tax withheld on the same form.

- d. The purported interest income results in a grossly inflated taxable income of \$852,522.
 - e. The return also falsely claims that \$751,871.00 of federal income tax was withheld on Haseney's behalf. This amount appears to include the amount of the federal withholding reported on the false Forms 1099-OID, which totals \$751,971.
 - f. Based on the amount of false taxable income, the resulting tax reported on the tax return was \$284,170.
 - g. As a result, Haseney requested a refund in the amount of \$477,701, even though the amount of taxable income that he reported was not accurate, and he did not have \$751,871 in tax withheld from him.
 - h. The IRS did not pay Mr. Haseney the refund.
43. For further example:
- a. Mr. Asa Patterson contacted Sellers, through www.commercialredemption.com, in September 2008 to inquire about the redemption process. Sellers responded to Mr. Patterson by providing him with a list of documents she includes in her basic package to initiate the commercial redemption process, necessary steps, and the fee for preparing these documents. Sellers also explained to Mr. Patterson the 1099-OID redemption scheme and advises him that although she understands the 1099-OID process, she does not prepare the forms, but is able to refer him to others individuals that can assist him with the process.
 - b. Specifically, Sellers explained the 1099-OID process as follows: “[t]he 1099-OID is a form that we use to re-coup payments made. (it is a return to the source) It

identifies us as the sponsor of the credit that funded the bill(s) in the first place . . . i.e. credit cards, mortgage payments, car notes, etc. . . the 1099-OID can be used anytime necessary, and then reported on the yearly 1040 for the refund, (although some people do the 1040 quarterly, and others do it even more often than that).”

- c. In 2009, Mr. and Mrs. Patterson filed a Form 1040 for 2006 that falsely reports taxable interest of in the amount of \$187,621.
 - d. That figure includes interest income listed on two bogus Forms 1099-OID that the Pattersons later sent to the IRS in support of their 2006 federal return.
 - e. The return also falsely claims that \$187,681 of federal income tax was paid or withheld on their behalf.
 - f. Based on the amount of false taxable income, the resulting tax reported on the tax return was \$54,057.
 - g. As a result, the Pattersons requested a refund in the amount of \$133,624 although they were not entitled to a refund in that amount.
 - h. The Pattersons also filed Forms 1040 claiming bogus refunds based on this OID scheme for the 2005 and 2007 tax years.
44. In addition to assisting customers in preparing bogus Forms 1099-OID that display false interest income and withholdings, Sellers has prepared bogus Forms 1099-OID for others, and has also prepared frivolous Forms 1040 for others.
45. For example:
- a. Sellers prepared a Form 1040 for 2007 for Jeffrey Lundin.
 - b. Jeffrey Lundin’s signature is on the Form 1040, which is dated April 19, 2008.

- c. The tax return reports \$5 billion on line 21, for “other income.” Also on this line is the note “SEE 1099-OID copy attached.”
- d. Sellers prepared a Form 1099-OID purportedly paid by Jeffrey Lundin, reporting a \$5 billion dollar original issue discount in box 1 of that form, and also reporting \$5 billion as federal income tax withheld.
- e. This Form 1099-OID, lists the recipient as “Clarence Maddox, dba CLERK OF THE COURT SOUTHERN DISTRICT OF FLORIDA.”
- f. The Form 1040 reports \$5 billion in federal income tax withheld, presumably from the \$5 billion reported on the bogus Form 1099-OID.
- g. The Form 1040 ultimately reports \$5 billion in overpayment, and a \$1 million refund.
- h. Sellers also assisted Lundin in preparing other frivolous documents, including a UCC filing securing Jeffrey Lundin as Jeffrey Lundin, Trust, and a “Bonded Promissory Note” in the amount of \$5 billion.
- i. The IRS did not process Mr. Lundin’s tax return.
- j. Upon information and belief, Sellers also prepared bogus 2005 Forms 1040 and 1040x for Jeffrey Lundin.

46. Sellers is aware that her positions are not supported by any legal authority. The website www.commercialredemption.com states “**If you want to understand Redemption, (Commercial or Spiritual), DON’T SEEK ANSWERS FROM AN ATTORNEY.**” It also states: “NOTICE: There are some rogue “agents” out there that work for the ‘so-called’ US Gov’t, (which is just another fictional corporate entity), that are accusing this website, and others

like it, of promoting “fraudulent tax schemes”, and “tax defier positions”. – This is hereby NOTICE of DENIAL of that accusation. This website has NEVER promoted fraudulent schemes, (tax or otherwise), nor does this website advise ANYONE to avoid or refuse to pay ALL LAWFULLY owed taxes.”

47. In an email to a customer, she stated, “[w]ould a competent legal professional recommend this process if you should consult with one? Are you kidding? The would probably tell you this whole belief system was fraudulent! Even the so called ‘patriotic’ attorneys deny the existence of the Strawman. In another email, Sellers writes, “ALL of these documents are just fiction anyway. These things that we do and file, etc. are just TOOLS to accomplish things. All that paperwork is just lied. (sic)”

Context for Sellers’ Abusive Tax Fraud Scheme

48. Sellers’ scheme is part of a growing, nationwide trend to file frivolous tax returns and Forms 1099-OID with the IRS in an attempt to escape federal tax obligations and steal from the U.S. Treasury.

49. This scheme, and related schemes, may be identified as falling under the category of “commercial redemption.” Proponents of commercial redemption claim that the United States government is in possession of money rightfully owned by the taxpayer.

50. Sellers has told, and may continue to tell customers that they can recover their money from the United States through filing bogus Forms 1099 OID and/or 1099-A financial instruments based on the theory that the U.S. government has created a “strawman” for each United States citizen. Sellers has generated and filed, and may continue to generate and file,

documents to support fraudulent income tax returns claiming refunds of federal tax payments that were never made.

51. Courts have enjoined individuals for promoting the same and similar tax-fraud schemes, and for preparing or promoting the same type of documentation under theories related to commercial redemption. *United States v. Johnston et al.*, Case No. 5:09-cv-359/RS-MD (Aug. 4, 2010 N.D. Fl.) (Permanently enjoining all defendants from preparing false Forms 1099-OID even though defendants had ceased filing fraudulent Forms 1099-OID.) *See also United States v. Knupp*, No. 1:09-CV-2724, 2010 WL 2245551, at *2-3 (N.D. Ga. May 14, 2010) (describing the commercial redemption theory as “frivolous[]” and the preparer’s use of false Forms 1099-OID as “fraudulent”); *United States v. Marty*, No. CIV S-09-0600 FCD EFB PS, 2010 WL 323518 (E.D. Cal. Jan. 14, 2010); *United States v. Miller*, No. 3:09-cv-01030, 2009 WL 4060274, at *2 (M.D. Tenn. Nov. 23, 2009); *see also United States v. Kahn*, No. 5:03CV-436-OC-10GRJ, 2004 WL 1089116, at *1 (M.D. Fla. Mar. 30, 2004) (holding defendants in contempt of injunction that arose from defendants’ promotion of tax schemes involving “outlandish mechanisms” such as using counterfeit bonds and checks to draw on fictitious treasury accounts supposedly in their customers’ names).

52. Other courts have condemned this or similar tax-fraud schemes. *Ray v. Williams*, No. CV-04-863-HU, 2005 WL 697041, at *5-6 (D. Or. Mar. 24, 2005) (discussing the fraudulent claims of “redemptionists” when assessing the constitutionality of a prison denying a prisoner access to a book containing the theory and explaining how to exploit it); *Monroe v. Beard*, No. 05-04937, 2007 WL 2359833, at *2 (E.D. Pa. Aug. 16, 2007) (characterizing redemption as an “anti-government scheme that utilizes commercial law to harass and terrorize its targets”).

Public Harm Caused by Sellers' Abusive Tax Fraud Scheme

53. The harm caused by Sellers' abusive tax scheme is widespread. The United States Treasury, Sellers' customers, and the taxpaying public are all adversely affected.

54. Although the government has not yet identified any refunds wrongfully issued to Sellers' customers, the United States Treasury has been defrauded through tax refunds wrongfully issued and rightful tax liabilities uncollected as a result of similar schemes. The fraudulently requested refunds connected to Sellers and identified to date total at least \$6 billion.

55. While the IRS is able to detect most fraudulent refund claims and stop related refunds from being issued, Sellers' scheme increases the administrative costs of the government because it requires a high volume of correspondence from the IRS to the filers of the documents.

56. In reliance on Sellers' services, her customers have failed to file proper federal income tax returns, which has either deprived her customers of proper tax refunds to which they may have been entitled or deprived the United States of tax revenue owed by Sellers' customers.

57. Sellers' customers have also incurred direct financial harm because they remain liable for any lawful tax unpaid, may be liable for interest and substantial penalties, and could be subject to criminal prosecution.

58. Furthermore, the scheme causes harm to the creditors that have entered into business relationships with these taxpayers. If creditors receive fraudulent Forms 1099-OID from the taxpayers, they must spend time and resources to determine their falsity and risk receiving audit or penalty notices from the IRS.

Injunction Under 26 U.S.C. § 7408

59. Section 7408(a), I.R.C., authorizes a district court to enjoin any person from engaging in conduct subject to penalty under I.R.C. §§ 6701 and 6700, if injunctive relief is appropriate to prevent recurrence of that conduct.

60. Section 6700, I.R.C., imposes a penalty on a person who engages in certain specified conduct that promotes an abusive tax shelter.

61. Section 6701, I.R.C., imposes a penalty on a person who aids and abets the understatement of a taxpayer's tax liability.

**Count I: Injunction Under 26 U.S.C. § 7408 for
Violation of 26 U.S.C. § 6700(a)(2)(A)**

62. The United States incorporates by reference the allegations contained in paragraphs 1 through 61.

63. Under I.R.C. § 6700(a)(2)(A), a penalty may be imposed upon any person who, in connection with organizing, promoting, or selling a plan or arrangement, or assisting in organizing, promoting or selling a plan or arrangement makes or furnishes, or causes another person to make or furnish a statement as to, among other things:

- a. the allowability of a deduction or credit, or
- b. the securing of any other tax benefit by reason of holding an interest in the participating in the plan or arrangement which statement the person knows or has reason to know, is false or fraudulent as to any material matter.

64. Sellers organized, promoted, and sold, or assisted in organizing, promoting, and selling, a plan or arrangement to defraud the United States Treasury.

65. In doing so, she made or furnished, or caused to be made or furnished, false or fraudulent statements with respect to a taxpayer's ability to claim false withholdings and other tax benefits.

66. Sellers knew or had reason to know that her statements were false or fraudulent, because they were predicated on the submission of false or fraudulent documents to the IRS.

67. As a result, Sellers has engaged in conduct subject to penalty under 26 U.S.C. § 6700(a)(2)(A) and she should be enjoined from engaging in such conduct in the future under 26 U.S.C. § 7408.

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

68. The United States incorporates by reference the allegations contained in paragraphs 1 through 67.

69. Section 6701, I.R.C., imposes a penalty on any person who:

- a. aids or assists in, procures, or advises with respect to, the preparation or presentation of any portion of a return, claim or other document;
- b. who knows (or has reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws; and
- c. who knows that such portion would result in an understatement of the liability for tax of another person.

70. Sellers prepared and/or aided, and/or assisted in, and/or advised in the preparation of fraudulent Forms 56, Notice of Fiduciary Relationship.

71. Sellers prepared and/or aided, and/or assisted in, and/or advised in the preparation of

fraudulent Forms W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding.

72. Sellers prepared and/or aided, and/or assisted in, and/or advised in the preparation of fraudulent Forms 1099-OID, and other fraudulent tax forms.

73. Sellers knew or had reason to believe that the fraudulent documents she prepared and/or aided, and/or assisted in, and/or advised in creating would be used in connection with other taxpayers' federal income tax returns, material matters under the internal revenue laws.

74. Sellers knew that the filing of the fraudulent documents would result in drastically understating other taxpayers' federal income tax liabilities.

75. As a result, Sellers engaged in conduct subject to penalty under 26 U.S.C. § 6701.

76. Injunctive relief is appropriate to prevent recurrence of Sellers' penalty conduct.

Count III: Injunction Under 26 U.S.C. § 7402(a)

77. The United States incorporates by reference the allegations contained in paragraphs 1 through 76.

78. Section 7402(a), I.R.C., 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.

79. Sellers substantially interferes with the enforcement of the internal revenue laws by promoting an abusive tax scheme under one or more theories of "commercial redemption" and filing, frivolous federal documents on behalf of other taxpayers. These activities are part of the nationwide effort among unscrupulous promoters to steal from the United States Treasury with similar schemes.

80. As a result of her misconduct, customers fail to file proper tax returns and have requested erroneous refunds. These customers may be liable for substantial penalties, including penalties for 20 percent of the excessive refund claim pursuant to 26 U.S.C. § 6676, as a result of their fraudulent refund claims.

81. Sellers' conduct results in irreparable harm to the United States and to the public for which there is no adequate remedy at law.

82. Sellers' conduct interferes with the proper administration of the Internal Revenue Code because it has resulted, and may continue to result, in hundreds of frivolous filings with the IRS that hinder the IRS's ability to determine the correct tax liabilities of Sellers' customers and other taxpayers.

83. Unless enjoined by this Court, Sellers may continue to promote and administer this abusive tax scheme.

84. Injunctive relief under I.R.C. § 7402(a) is appropriate to prevent the recurrence of Sellers' misconduct.

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

- A. That the Court find that Judy Grace Sellers has continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. §§ 6700, and 6701, and that injunctive relief is appropriate under 26 U.S.C. §§ 7402 and 7408 to bar her from engaging in conduct subject to penalty under 26 U.S.C. §§ 6700, and 6701;
- B. That the Court, under 26 U.S.C. §§ 7402 and 7408, enter a permanent injunction prohibiting Sellers and her representatives, agents, servants, employees, attorneys,

independent contractors, and anyone in active concert or participation with her, from directly or indirectly;

1. Preparing or filing federal tax returns or tax forms for anyone other than herself, and advising or assisting anyone with respect to preparing or filing any federal tax form, including, but not limited to, Forms 1099, Forms 1040-V, or Forms W-8BEN.
 2. Owning and/or operating any website that participates in preparing false documents, including, but not limited to: Forms 56, Notice of Fiduciary Relationship, Forms W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States tax withholding, IRS Form 1040-V, and any type of Form 1099, for use in preparing federal tax returns;
 3. Engaging in any other activity subject to penalty under the Internal Revenue Code;
 4. Representing anyone other than herself before the Internal Revenue Service; and
 5. Engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.
- C. That this Court, under 26 U.S.C. §§ 7402 and 7408, enter a permanent injunction prohibiting Sellers and her representatives, agents, servants, employees, and anyone in active concert or participation with her, from directly or indirectly by means of false, deceptive, or misleading commercial speech:

1. Organizing, promoting, or selling tax shelters, plans or arrangements that advise or assist taxpayers in attempting to evade the assessment or collection of such taxpayers' correct federal tax;
 2. Engaging in any other activity subject to penalty under 26 U.S.C. § 6700, including organizing or selling a plan or arrangement and making a statement regarding the excludability of income or securing of any other tax benefit by participating in the plan that he knows or has reason to know is false or fraudulent as to any material matter;
 3. Engaging in any activity subject to penalty under 26 U.S.C. § 6701; and
 4. Directly or indirectly organizing, promoting, marketing, or selling any plan or arrangement that assists or incites taxpayers to attempt to violate internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including promoting, selling, or advocating the use of false Forms 1099.
- D. That this Court, under 26 U.S.C. § 7402, enter a permanent injunction prohibiting Sellers from preparing her own federal income tax returns claiming false income tax withholding and refunds based on amounts shown on false Forms 1099;
- E. That this Court, under 26 U.S.C. § 7402, enter a permanent injunction prohibiting Sellers from preparing federal income tax returns for anyone claiming false income tax withholding and refunds based on amounts shown on false Forms 1099;

- F. That this Court, under 26 U.S.C. § 7402, enter an injunction requiring Sellers to contact by mail (and also by e-mail, if an address is known) all persons who have purchased any products, services, or advice associated with the false or abusive tax scheme described in this complaint, from Sellers, www.commercialredemption.com, www.statusisfreedom.com, or any other entity controlled or maintained by Sellers, and inform those persons of the Court's findings by providing them with a copy of the permanent injunction against Sellers;
- G. That this Court, under 26 U.S.C. § 7402, enter an injunction requiring Sellers to provide to counsel for the United States a list of all websites for which she serves as webmaster, or answers e-mails, or otherwise maintains.
- H. That this Court, under 26 U.S.C. § 7402, enter an injunction prohibiting Sellers and her representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with her, from posting content regarding the tax scheme described herein on any website, including www.commercialredemption.com, and www.statusisfreedom.com, and requiring Sellers to post a copy of the Court's injunction on the www.commercialredemption.com website for a period of three years.
- I. That this Court retain jurisdiction to allow the United States full post-judgment discovery to monitor Sellers' compliance with the injunction; and
- J. That this Court grant the United States such other and further relief as the Court deems just and appropriate.

Date: October 11, 2011

Respectfully submitted,

PAMELA C. MARSH
United States Attorney

s/Miranda Bureau
MIRANDA BUREAU
Trial Attorney, Tax Division
U.S. Department of Justice
Post Office Box 7238
Ben Franklin Station
Washington, D.C. 20044
Telephone: (202) 353-9171
Fax: (202) 514-6770
Email: miranda.j.bureau@usdoj.gov

Attorneys for Plaintiff United States of America