

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF SOUTH CAROLINA

UNITED STATES OF AMERICA)	
)	
Plaintiff,)	
)	
v.)	Civil No.
)	
ROBERT BARNWELL CLARKSON, individually)	
and d/b/a THE PATRIOT NETWORK,)	
)	
Defendant.)	

COMPLAINT AND REQUEST FOR INJUNCTIVE RELIEF

Plaintiff United States of America, for its complaint against defendant Robert Barnwell Clarkson, states as follows:

Jurisdiction

1. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. (I.R.C.) §§ 7401, 7402(a), and 7408.

2. This action has been requested by the Chief Counsel of the Internal Revenue, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General.

Nature of Action

3. The United States brings this complaint to enjoin Robert Barnwell Clarkson, individually and doing business as or through the Patriot Network or any other entity, and any other persons in active concert or participation with him, from directly or indirectly:

- (a) Organizing, promoting, marketing, or selling any tax shelter, plan or arrangement that advises or assists customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
- (b) Making false or fraudulent statements about the securing of any tax benefit by the reason of participating in any plan or arrangement, including the false

statements that only those who volunteer are subject to the Internal Revenue Code, workers need not submit accurate W-4 forms, and that United States citizens are not liable for federal income taxes;

- (c) Instructing, advising, or assisting others to violate the tax laws;
- (d) Engaging in conduct subject to penalty under I.R.C. § 6700, *i.e.*, by making or furnishing, in connection with the organization or sale of a shelter, plan or arrangement, a statement the defendant knows or has reason to know to be false or fraudulent as to any material matter under the federal tax laws;
- (e) Engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws, including encouraging and assisting customers in disrupting or delaying the IRS examination of their tax liabilities.
- (f) Engaging in any activity subject to penalty under the Internal Revenue Code.

4. An injunction is warranted based on Clarkson's continuing conduct as a promoter of a fraudulent tax plan or arrangement. If he is not enjoined, his continuing actions will result in the Internal Revenue Service having to devote scarce resources to pursue and investigate the defendant's customers, who by participation in the defendant's scheme have failed and refused to file federal income tax returns and have stopped paying the correct amount of federal income taxes due. Clarkson's actions, if not stopped, may result in penalties and other civil and criminal sanctions being imposed on his customers.

Defendant's Activities

5. Robert Barnwell Clarkson resides at 515 Concord Avenue, Anderson, South Carolina 29621.

6. Clarkson, individually, and doing business as the Patriot Network promotes how-to guides — such as the Untaxing Packet and Clarkson's Tax Audit Procedure I and II — that are

designed to help customers frustrate or stop IRS examinations. The guides are filled with instructions and tactics to help customers illegally evade federal taxes. The Untaxing Packet also contains forms and form letters for customers to use for the purpose of illegally evading federal taxes. The prices for these guides range from \$55 to \$300.

7. The Untaxing Packet costs \$300 and contains letters for customers to send to government officials and agencies, including the Chairman of the Federal Reserve System, the President of the United States, the Social Security Administration, and the Comptroller of the Currency. The letters falsely state that the customer is not required to pay income tax and that the IRS is not a valid government agency. These letters are designed to disrupt or hinder the enforcement of the internal revenue laws by encouraging and assisting Clarkson's customers to stop filing tax returns and paying federal taxes, and by falsely advising those customers that they can do this legally.

8. Clarkson falsely tells customers that by sending the letters in the Untaxing Packet the customers can "completely remove any and all liability or commitment [they] may have with respect to the Internal Revenue Service (IRS), the Federal Reserve and their fraudulent taxation schemes. The letters you send will take effect at the moment you send them."

9. Clarkson sells memberships in the Patriot Network, falsely telling his customers that membership in the Patriot Network will provide them with the information and support they need to stop filing federal tax returns and paying federal taxes.

10. In addition to making false and fraudulent statements regarding the tax benefits associated with his programs, Clarkson tells his customers not to file tax returns at all. Clarkson falsely tells customers that the IRS has no legal authority to require anyone to file a return and that customers are within their legal rights to refuse to file any federal tax return of any kind. Clarkson tells customers, "If you quit surrendering your rights and hard-earned money to the Internal Robbery Squad and no longer annually submit your 1040 confession

sheet, only the computer knows for years.” Clarkson falsely tells his customers that there will be no consequences to them if they simply refuse to file tax returns.

11. In addition to advising his customers to stop filing tax returns, Clarkson advises his customers not to provide the IRS with any information and not to cooperate with any IRS inquiry. Clarkson advises, “The slats cannot tax the substance from your family unless they know you (1) exist; (2) earn money; (3) owe taxes. Why bother to tell them even that?”

12. When the IRS audits or otherwise contacts Clarkson’s customers, Clarkson advises and assists them to assert frivolous positions and engage in disruptive and abusive tactics designed to obstruct the audit so as to evade taxes. In his “Audit Procedure I and II,” a set of audiotapes that Clarkson sells, Clarkson advises his customers to use “Lawyer Delay” and stall or interfere with an audit by continually asking that it be rescheduled, by purposely bringing a non-qualified person as a representative, by purposely filling out paperwork incorrectly, by bringing witnesses but refusing to identify them, or by asserting the Fifth Amendment privilege against self-incrimination, all for the sole purpose of evading the assessment and collection of tax. Clarkson falsely advises, “Show them you are a true American, one who fights all the way. Then you have a 50% chance they will abandon your case and pick on someone else.”

13. Clarkson also sells the “Earnest Letter-Writing Campaign” which contains guidance for customers to use in drafting responses when they receive specific correspondence from the IRS. Clarkson advises his customers to feign cooperation with the IRS while following an unwavering course of delaying tactics. According to Clarkson, every letter his customers send to the IRS should deny everything the IRS asserts, appeal every decision to a higher office, make at least one accusation against the IRS employee who sent the letter, and make no affirmative statements. All of these tactics are designed to help customers evade taxes and disrupt or hinder the enforcement of the internal revenue laws. Clarkson charges \$10 for the Earnest Letter-Writing Campaign materials, or \$10 each for a pre-written form letter, and falsely

tells his customers that they are justified in hindering the IRS from enforcing the federal tax laws because the IRS is an illegal agency.

14. In connection with promoting his schemes, Clarkson has made the following false or fraudulent statements to customers and prospective customers:

- The Federal Reserve System is unconstitutional because it violates the Tenth Amendment of the United States Constitution.
- Closing all bank accounts places one outside the jurisdiction of the IRS.
- The Social Security Administration is unconstitutional because it violates the Tenth Amendment of the Constitution.
- Refusing to use a Social Security number renders one not subject to federal taxes.
- Social Security numbers are required only for resident aliens or those wishing to obtain federal program benefits.
- There is no law that imposes an obligation to pay federal income taxes or file federal income tax returns.
- Wage earners do not owe federal income taxes.
- Only income earned from international or foreign commerce is taxable.

15. As self-proclaimed Executive Director and organizer of the Patriot Network, Clarkson offers to appear with customers at any meeting with the Internal Revenue Service. On the Patriot Network website, www.patriotnetwork.info, in his printed materials, and in his lectures, Clarkson gives his telephone number and offers to consult personally with any customer.

16. Clarkson will attend an audit for the purpose of disrupting the proceedings, frequently wearing a gold-fringed red cape that has the words "The Great One" written on the back. He advises his clients to wear clown costumes to meetings with the IRS. His Audit Guide contains extensive advice about how to stall the IRS and interfere with the revenue agent's ability to obtain accurate information in the course of an audit. He tells his customers

“The evil Internal Revenue System operates on INFORMATION – Information that only works to your detriment. Deny them that and the monster will wither away.”

17. Clarkson also advises his customers to insist that the IRS conduct the audit meeting at their house rather than in the IRS offices so they can stage a “Tea Party,” for purposes of interfering with the conduct of the audit. Clarkson advises providing the IRS revenue agent with an uncomfortable chair facing into the sun, while the customer sits in comfort drinking tea and eating cookies. When the revenue agent attempts to conduct the audit, Clarkson advises his customers to refuse to provide records or accurate information about their income and expenses.

18. Clarkson’s Patriot Network website contains a link to www.churchoftheholyword.faithweb.com, a site also operated by Clarkson, where he provides instructions for his customers to declare themselves a “parish” of Clarkson’s so-called Church of the Holy Word. He falsely states that his customers can form a “508” organization that permits tax-exempt status without direct government regulations. Clarkson advises his customers to evade collection of taxes by transferring all their assets into the church’s name to put them beyond the reach of the IRS, and for the purpose of claiming a religious exemption from using Social Security numbers and paying taxes. Clarkson falsely advises customers that by holding all assets in the name of the church, and funneling all income through the church, it is possible to avoid paying all federal taxes. He provides a “Social Security Heave Ho Sample Form,” which he falsely claims effectively asserts a religious exemption to his customers’ Social Security obligations.

19. In promotional materials and on the Patriot Network website, Clarkson fails to inform his customers that avoiding taxes is not a valid purpose that qualifies an organization for tax-exempt status; in order to qualify as a tax-exempt religious organization, it must be organized for valid religious purposes. Clarkson also does not inform his customers that the

practice of transferring all of one's assets to a church in order to evade collection of taxes has been specifically rejected by federal courts.

20. On the Patriot Network website, Clarkson advises his customers to render themselves judgment proof by transferring assets to their wives or children, in order to put them beyond the reach of the Internal Revenue Service. He does not inform his customers that transfers of assets made to defraud the government can be set aside as fraudulent.

21. Clarkson advises his customers to claim excessive exemptions on the W-4 forms they submit to their employers. Clarkson falsely states in audiotapes and videotapes sold through his Patriot Network and on the Patriot Network website that employers are not required to withhold taxes from their employees' wages, and that the IRS has no authority to require withholding. Clarkson also instructs employers to ignore the IRS and refuse to withhold employment taxes from wages.

22. Clarkson has been convicted in federal court twice for tax-related crimes. In 1978, Clarkson was convicted in the U.S. District Court for the District of South Carolina of 17 counts of filing fraudulent income tax returns. Clarkson received a suspended sentence and 5 years probation for this conviction. Clarkson's probation was revoked in 1979 and Clarkson was sent to prison because he violated the special condition that he not participate in any activity involving internal revenue tax matters. He was paroled in 1984; his parole was revoked in 1985 because Clarkson violated the special condition that he not prepare tax returns or provide tax advice to anyone other than himself.

23. In 1994, Clarkson was convicted in the U.S. District Court for the Western District of North Carolina of conspiracy to defraud the United States. Clarkson was found to have committed the following overt acts to further the conspiracy:

- (a) he held meetings, where, for a fee, he advised people to claim unlawful exemptions and not to file income tax returns.

(b) he operated a job shop called D-G Labor Services, Inc. Employees of D-G Labor performed work for other businesses but were paid by D-G Labor which fraudulently did not withhold taxes from the wages and did not issue W-2 or 1099 forms.

He served 57 months in federal prison for that crime and was on probation for 3 more years.

24. Clarkson claims to be educated and knowledgeable about the Internal Revenue Code and to be experienced in representing people before the Internal Revenue Service. He was a practicing attorney who, according to the Patriot Network website, practiced law without a license for many years. He was disbarred by the Supreme Court of South Carolina in 1978 for unprofessional conduct and misconduct, but continued to describe himself as a lawyer. His website now contains a disclaimer that he is not licensed to practice law and cannot represent people in any court.

25. Based on his professed expert knowledge of the internal revenue laws, and his two federal tax convictions, Clarkson knows or should know that courts have repeatedly held that employers are required to withhold payroll taxes from their employees' wages, that tax-exempt status is not conferred on a purportedly religious organization when taxpayers create a pseudo-church purely for tax avoidance purposes and not for genuine religious purposes. As he knows or should know, positions he advocates are incorrect and contrary to law and will result in penalties being assessed against anyone following his advice.

26. Clarkson continues to offer his services to assist his customers in evading the assessment and collection of federal taxes, even after the IRS informed him that his promotion asserts false and misleading statements about material matters under the internal revenue laws, and even after two criminal convictions for the same behavior.

Harm to the Government

27. Because Clarkson advises and assists customers to not file tax returns, it is difficult to calculate the tax loss caused by Clarkson's misconduct. Clarkson claimed in court during his trial for criminal conspiracy before the United States District Court for the Western District of North Carolina that he has personally "de-taxed" between 6,000 and 8,000 people.

28. In addition to the tax loss, the IRS estimates that each Clarkson customer who follows Clarkson's "de-taxing" procedures will require over 330 hours of IRS employees' time to audit and collect delinquent taxes and to pursue legal action where necessary. The IRS estimates that, assuming Clarkson has "de-taxed" 6,000 customers, as he claims, the IRS will require almost two million employee hours to obtain compliance with the tax laws from these customers. Moreover, because Clarkson continues to offer his services through his website and through seminars, the government's damages will continue to increase if Clarkson is not enjoined.

Injunction under I.R.C. § 7408 for Violation of I.R.C. § 6700

29. The United States incorporates by reference the allegations in paragraphs 1 through 28.

30. Section 7408 of the Internal Revenue Code authorizes a court to enjoin persons who have engaged in any conduct subject to penalty under I.R.C. § 6700 if the court finds that injunctive relief is appropriate to prevent the recurrence of such conduct.

31. Section 6700 of the Internal Revenue Code penalizes any person who organizes or sells a plan or arrangement and makes, in connection with organizing or selling the plan or arrangement, a statement regarding the excludibility of income or the securing of any other tax benefit that the person knows or has reason to know is false or fraudulent as to any material matter.

32. Clarkson, either individually or through the Patriot Network, organizes and sells abusive tax schemes. In connection with this, Clarkson makes statements regarding the tax benefits associated with participation in these schemes that he knows or has reason to know are false or fraudulent as to material matters within the meaning of I.R.C. § 6700. Clarkson thus engages in conduct subject to penalty under I.R.C. § 6700.

33. Unless enjoined by this Court, Clarkson is likely to continue to engage in this conduct and continue to organize and sell his abusive tax schemes. Injunctive relief is appropriate under I.R.C. § 7408.

**Injunction under I.R.C. § 7402(a) for Unlawful Interference with the
Enforcement of the Internal Revenue Laws)**

The United States incorporates by reference the allegations made in paragraphs 1 through 33.

34. I.R.C. § 7402 authorizes courts to issue injunctions as may be necessary or appropriate for the enforcement of the internal revenue laws.

35. Clarkson, through the actions described above, has engaged in conduct that interferes substantially with the administration and enforcement of the internal revenue laws.

36. Unless Clarkson is enjoined, the IRS will have to devote substantial time and resources to identify and locate his customers, and then construct and examine their tax returns and liabilities. The burden of pursuing all individual customers may be an insurmountable obstacle, given the IRS's limited resources.

37. In the absence of an injunction backed by the Court's contempt powers, Clarkson is likely to continue to obstruct and interfere with the enforcement of the internal revenue laws.

The United States is entitled to injunctive relief under Code I.R.C. § 7402(a) to prevent such conduct.

Relief Sought

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

A. That the Court find that the defendant has engaged in conduct subject to penalty under I.R.C. § 6700, and that injunctive relief is appropriate under I.R.C. § 7408 to prevent the defendant, and any business or entity through which he operates, and anyone acting in concert with him, from engaging in further such conduct or any other conduct subject to penalty under the Code;

B. That the Court find that the defendant has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against the defendant, and any business or entity through which he operates, and anyone acting in concert with him, is appropriate to prevent the recurrence of that conduct pursuant to the Court's powers under Code I.R.C. § 7402(a);

C. That the Court, pursuant to I.R.C. §§ 7402 and 7408, enter a permanent injunction prohibiting the defendant, individually and doing business through any other entity, and his representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with him from directly or indirectly:

- (1) Organizing, promoting, marketing, or selling any tax shelter, plan or arrangement that advises or assists customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
- (2) Making false or fraudulent statements about the securing of any tax benefit by reason of participating in any plan or arrangement, including

the false statements that only income earned from foreign or international commerce is taxable, that workers need not submit accurate W-4 forms, and that there is no law subjecting United States citizens to federal income taxes;

- (3) Aiding or abetting others to violate the tax laws;
- (4) Engaging in conduct subject to penalty under I.R.C. § 6700, *i.e.* by making or furnishing, in connection with the organization or sale of a shelter, plan, or arrangement, a statement the defendant knows or has reason to know to be false or fraudulent as to any material matter under the federal tax laws;
- (5) Engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws, including encouraging and assisting customers in disrupting or delaying the IRS examination of their tax liabilities; and
- (6) Engaging in any conduct subject to penalty under any other section of the Internal Revenue Code.

D. That this Court, pursuant to I.R.C. § 7402, enter an injunction requiring defendant to produce to counsel for the United States a list of the names, addresses, e-mail addresses, telephone numbers, and Social Security or tax identification numbers of all persons who have bought his tax plans, arrangements, or programs, and to file with the Court, within 20 days of the date of the permanent injunction is entered, a certification that he has done so;

E. That this Court, pursuant to Code I.R.C. § 7402, enter an injunction requiring defendant to notify by mail at his own expense all persons of the Court's findings concerning the falsity of the defendant's representations and attach a copy of the permanent injunction

against the defendant, and to file with the Court, within 20 days of the date the permanent injunction is entered, a certification that he has done so;

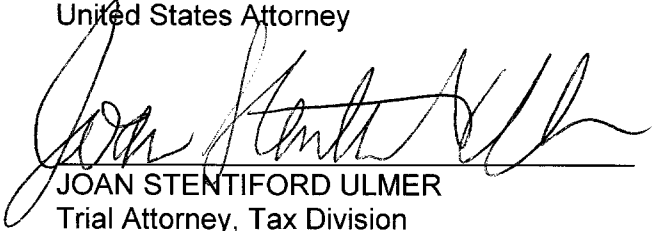
F. That this Court, pursuant to I.R.C. § 7402, enter an injunction requiring defendant his representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with him, to remove from his websites, including www.patriotnetwork.info and www.churchofholyword.faithweb.com all tax-scheme promotional materials, false commercial speech, and materials designed to aid and abet others to violate the law (including the tax laws), to display prominently on the first page of those websites a complete copy of the Court's permanent injunction, and to maintain the websites for one year with a complete copy of the Court's permanent injunction so displayed throughout that time;

G. That this Court order that the United States is permitted to engage in post-judgment discovery to ensure compliance with the permanent injunction;

H. That this Court retain jurisdiction over this action for purposes of implementing and enforcing the final judgment and any additional orders necessary and appropriate to the public interest; and

I. That the Court grant such other and further relief as the Court deems proper.

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