

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEVADA

UNITED STATES,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil No. CV-S-03-0281-LDG-RJJ
	)	
IRWIN SCHIFF, CYNTHIA NEUN, and	)	
LAWRENCE N. COHEN a/k/a LARRY COHEN,	)	
individually and all doing business as	)	
FREEDOM BOOKS,	)	
<a href="http://www.livetaxfree.com">www.livetaxfree.com</a> ,	)	
<a href="http://www.paynoincometax.com">www.paynoincometax.com</a> , and	)	
<a href="http://www.ischiff.com">www.ischiff.com</a> ,	)	
	)	
Defendants.	)	

**PERMANENT INJUNCTION**

Upon motion by Plaintiff, the United States of America, the Court makes the following findings of fact and conclusions of law and enters this permanent injunction.

**Standards for Permanent Injunction**

To obtain a permanent injunction under 26 U.S.C. §§ 7407 and 7408, the United States must show that (1) defendants either engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 or 6695, or engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws; or (2) defendants engaged in conduct subject to penalty under §§ 6700 or 6701; and (3) injunctive relief is appropriate to prevent the recurrence of such conduct.

In order to obtain a permanent injunction under 26 U.S.C. § 7402, the United States must show that a permanent injunction is necessary or appropriate for the enforcement of the internal revenue laws.

### **Findings of Fact**

Based on the evidence and the parties' arguments, the Court finds as follows:

- (1) Defendants Irwin Schiff and Cynthia Neun promote abusive tax schemes including Schiff's "zero income" tax return scam, which incites and assists customers to file false federal income tax returns claiming they received zero income and owe zero taxes. The defendants promote their schemes through seminars, radio shows, and advertisements, and charge customers for products and services related to their abusive tax schemes;
- (2) Schiff and Neun also have interfered with the administration of the internal revenue laws by appearing with customers at IRS appeals hearings and encouraging their customers to raise frivolous arguments, by inciting and assisting customers to file frivolous lawsuits and Tax Court petitions and by inciting and assisting customers to send frivolous correspondence and other documents to the IRS;
- (3) Schiff and Neun and their Freedom Books associates and employees have continually and repeatedly prepared and filed federal income tax returns (IRS Forms 1040), falsely claiming that their customers have no taxable income based on Schiff's frivolous theories and arguments;
- (4) The returns that Schiff and Neun and their associated entities have continually and repeatedly prepared are based on unrealistic positions, namely Schiff's claims that paying taxes is voluntary and that wages and other income are not subject to taxation, and result in a gross understatement of their customers' tax liability;
- (5) Schiff and Neun knew or should have known that their representations regarding the "zero income" tax return scheme and the tax benefits to be derived from participation in their scheme are false because (1) the "zero income" tax return scheme is frivolous on its face, (2) there are numerous judicial decisions rejecting this and similar "zero income" schemes, (3) Schiff has been convicted twice of tax crimes for asserting these and similar arguments, (4) at least four people who followed Schiff's program have been convicted of tax crimes, and (5) Schiff, individually and through Neun, and Freedom Books advertisements, holds himself out as an expert in tax law;
- (6) Absent this permanent injunction, Schiff and Neun will continue to promote the abusive tax schemes;
- (7) Schiff's "zero income" tax return scheme and the "payment of income taxes is voluntary," "there is no law requiring Americans to file tax returns or pay income

taxes,” and “the income tax only applies to corporate profits” arguments on which the “zero income” tax return scheme is based, are frivolous and without merit; and

- (8) The public is served by granting this injunction. This permanent injunction will help stem the spread of and protect the public from defendants’ fraudulent tax schemes.

To the extent that any of the factual findings above can also be construed as legal conclusions, the factual findings shall also serve as conclusions of law.

### **Conclusions of Law**

The Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1340 and 1345, and 26 U.S.C. §§ 7402(a), 7407, and 7408. Based on the evidence presented by the United States and the defendants, the Court finds that Irwin Schiff and Cynthia Neun, individually and doing business as Freedom Books, [www.paynoincome.com](http://www.paynoincome.com), and [www.ischiff.com](http://www.ischiff.com), are engaging in conduct subject to penalty under 26 U.S.C. §§ 6694, 6695, 6700, and 6701. Accordingly, the court finds that Schiff and Neun, and their associated entities and websites should be permanently enjoined under 26 U.S.C. §§ 7407, and 7408.

The Court finds that the United States and the public will suffer irreparable harm in the absence of this permanent injunction and that Schiff and Neun will suffer little, if any, harm if the permanent injunction is granted. The United States has shown that Schiff’s and Neun’s tax positions are frivolous. Further, the United States has shown the public interest will be served through granting this permanent injunction. Finally, the evidence presented by the United States and the defendants show that absent this permanent injunction, Schiff and Neun will continue to violate 26 U.S.C. §§ 6694, 6695, 6700, and 6701 and interfere with the enforcement of the internal revenue laws. Accordingly, the Court finds that a permanent injunction under 26 U.S.C.

§ 7402 is necessary and appropriate for the enforcement of the internal revenue laws.

### **Order**

Based on the foregoing factual findings and for good cause shown, the Court ORDERS that defendants Irwin Schiff and Cynthia Neun, individually and doing business as Freedom Books, [www.paynoincometax.com](http://www.paynoincometax.com), and [www.ischiff.com](http://www.ischiff.com), and their agents, servants, employees, attorneys, and those persons in active concert or participation with them who receive actual notice of this Order are permanently enjoined from:

- (1) Engaging in activity subject to penalty under 26 U.S.C. § 6700, including organizing or selling a plan or arrangement and making a statement regarding the excludibility of income that they know or have reason to know is false or fraudulent as to any material matter;
- (2) Engaging in activity subject to penalty under 26 U.S.C. § 6701, including preparing and/or assisting in the preparation of a document related to a matter material to the internal revenue laws that includes a position that they know will result in an understatement of tax liability;
- (3) Making false or misleading statements when marketing or advertising any tax-related products or services, including books, videotapes, audiotapes, seminars, packages, and consultation sessions;
- (4) Making any statements, whether written or oral, that, in light of the situation, are likely to incite others to imminently violate the law, including to evade the assessment, payment, and collection of taxes;
- (5) Assisting or aiding others to violate the law, including to evade the assessment and payment of taxes, through any means, including through giving in-person advice, posting information on the Internet, or selling books, tapes, CDs, that instruct or explain how to fill out fraudulent or false tax returns or other documents to be filed with the IRS;
- (6) Providing any tax advice or services for compensation, including providing consultative services, “witness” services, or other tax advice to, or purported representation of, customers;
- (7) Engaging in other activity that hinders the enforcement of internal revenue laws,


including instructing and assisting others to file frivolous lawsuits or to disrupt and impede IRS audits and IRS or judicial Collection Due Process Hearings;

- (8) Preparing or assisting in the preparation of any federal income tax returns for any other person;
- (9) Engaging in any conduct subject to penalty under 26 U.S.C. § 6694, *i.e.*, preparing any part of a return or claim for refund that includes an unrealistic position;
- (10) Engaging in any conduct subject to penalty under 26 U.S.C. § 6695, *i.e.*, failing to sign and furnish the correct identifying number on tax returns that they prepare; and
- (11) Engaging in any other activity subject to injunction or penalty under 26 U.S.C. §§ 7407, 6694 or 6695, including fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws;

Further, pursuant to 26 U.S.C. § 7402, the Court ORDERS that, within ten days of the date of this order, Schiff and Neun must place this order, in its entirety, on the [www.paynoincometax.com](http://www.paynoincometax.com), and [www.ischiff.com](http://www.ischiff.com) “Home” pages (*i.e.*, the first page seen when accessing the websites at the listed addresses), prominently featured at the top so that it is easily visible and readable without further action. The defendants must also remove from their websites and others signs and advertising all information that violates this order, including false commercial speech, speech that violates 26 U.S.C. §§ 6700, and speech that assists or is likely to incite others to violate the law.

Further, that the United States be permitted to engage in post-injunction discovery to monitor Schiff's and Neun's compliance with this and any other order entered by this Court.

SO ORDERED this 14 day of Oct, 2008.

  
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LLOYD D. GEORGE  
Senior United States District Judge

Prepared by:

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