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The Honorable John C. Coughenour

**UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE**

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
DAVID STRUCKMAN, individually and)
d/b/a GLOBAL PROSPERITY GROUP and)
GLOBAL PROSPERITY MARKETING)
GROUP and GLOBAL PROSPERITY)
2001 and INSTITUTE OF GLOBAL)
PROSPERITY,)
)
)
Defendant.)

Case No. C11-0001

**ORDER GRANTING
PERMANENT INJUNCTION
AGAINST DAVID STRUCKMAN
BY DEFAULT**

Plaintiff United States of America filed its complaint for permanent injunction under 26 U.S.C. §§ 7402 and 7408 on January 3, 2011, seeking to bar David Struckman, both individually and doing business as Global Prosperity Group, Global Prosperity Marketing Group, Global Prosperity 2001, and Institute of Global Prosperity, from promoting fraudulent tax fraud schemes and from engaging in conduct that substantially interferes with the administration and enforcement of the internal revenue laws. Struckman was properly served and has failed to timely file an answer or other response to the United States' complaint.

1 Entry of default was made against Struckman on February 24, 2011. Having reviewed
2 the record in this case, the Court makes the following findings of fact and conclusions of law and
3 enters this permanent injunction against Struckman.

4 **Findings of Fact**

- 5 1. Jurisdiction exists under 28 U.S.C. §§ 1340 and 1345, and I.R.C. §§ 7402(a) and 7408.
- 6 2. Struckman conducted business through Global Prosperity, located at 2000 Benson Road
7 South, Building 115, Suite 350, Renton, Washington 98055.
- 8 3. As of February 8, 2011, Struckman was in federal custody in Coeur d'Alene, Idaho.
9 Prior to that, Struckman was in federal custody at Sea Tac Federal Detention Center,
10 Seattle, Washington, within this judicial district, and was a resident of Issaquah,
11 Washington, within this judicial district. Struckman was scheduled to be released on
12 February 8, 2011.
- 13 4. Global Prosperity, also known as the Global Prosperity Marketing Group, Global
14 Prosperity Group, Institute of Global Prosperity, and Global Prosperity 2001, was co-
15 founded in 1996 by Daniel Andersen and Struckman, who also served as directors.
- 16 5. In March 2001, search warrants were executed on the Global Prosperity directors'
17 residences. The IRS seized a Global Prosperity customer list identifying over 44,000
18 participants during the search. Between 1996 and 2002, Global Prosperity received gross
19 receipts exceeding \$50,000,000 that it and its operators failed to report as income on their
20 federal income tax returns.
- 21 6. On May 11, 2004, Struckman, Lorenzo Lamantia, Daniel Andersen, Kuldip Singh, and
22 Dwayne Robare were indicted for knowingly, intentionally, and unlawfully conspiring to
23 defraud the United States and defeat the lawful government functions of the Internal
24 Revenue Service (IRS) in the ascertainment, computation, assessment, and collection of
25 income tax. A superseding indictment was returned in July 2005.

- 1 7. On November 8, 2007, a jury found Struckman guilty of tax evasion and conspiracy to
2 defraud the United States. He was sentenced to 70 months in prison on July 28, 2008.
- 3 8. Struckman, doing business as Global Prosperity, sold an audiotape/cd series and tickets
4 to offshore seminars promoting, among other things, bogus trust packages and other
5 schemes advocating fraudulent methods of eliminating one's income taxes.
- 6 9. As part of the scheme, Struckman actively promoted, sold, and advertised the following
7 goods and services:
 - 8 a. "Global I" was a 12-part audio/cd series which falsely states, *inter alia*, that:
9 (1) income of "American Nationals" or "sovereign state citizens" is foreign
10 earned income; (2) American Nationals" or "sovereign state citizens" are not
11 required to file tax returns or pay income taxes; (3) the 16th Amendment of the
12 United States Constitution was not properly ratified; (4) wages are not income
13 and therefore not taxable; and (5) the income tax system is voluntary.
 - 14 b. "Global II" was a three-day offshore seminar retail priced at \$6,250. The
15 Global II seminar was advertised as an opportunity for attendees to apply the
16 wealth-building strategies discussed on the Global I audio/cd series.
 - 17 c. "Global III" was a five-day offshore seminar retail priced at \$18,750. The
18 Global III event was advertised as advanced training in implementing wealth-
19 building strategies that featured the same fraudulent vendors and schemes
20 promoted at the Global II events.
 - 21 d. "Global IV" was a three-day, invitation-only seminar held at Jekyll Island,
22 Georgia, in November 2000, retail priced at \$37,000. Global Prosperity hosted
23 the seminar for its top salespeople.
- 24 10. Participating vendors, whom Global Prosperity touted as "experts," paid Global
25 Prosperity a fee to promote tax-fraud schemes to Global Prosperity members attending
26 the seminars.
- 27 11. Global Prosperity used a multi-level marketing program to sell tax-fraud products and
28 build a network of distributors, retailers, and Global Prosperity members. Global
Prosperity customers paid a \$50 fee to become a Global member, and then progressed
through four tiers of membership from "Global I to IV."
12. As part of the scheme, a member joined at the first level and became a Global I member
by purchasing the Global I products. A Global I member who sold a requisite number of

1 tax-fraud products (between 2 to 7), became a “qualified retailer” (QR). A QR could
2 retain 80% to 90% of his or her sale revenues as profits, as well as a percentage of the
3 first two sales by members recruited by that QR. After another threshold number of
4 sales, a QR became a “voluntary marketing assistor” (VMA) and earned even greater
5 profits by selling products related to the tax-fraud schemes.

6 13. Struckman participated in the sale of the tax-fraud schemes sold by Global Prosperity by
7 (a) selling Global Prosperity memberships; (b) arranging marketing seminars that
8 provided Global Prosperity vendors with a forum to hawk tax-fraud schemes to Global
9 Prosperity members; and (c) endorsing, to Global Prosperity members, tax-fraud schemes
10 hawked to Global Prosperity members.

11 14. The Global Prosperity vendors, which Global Prosperity’s organizers and directors
12 explicitly and implicitly endorsed to Global Prosperity members, made the following
13 false and fraudulent statements about the federal income tax laws, and assisted customers
14 in evading the federal income tax, as part of packages sold by Global Prosperity for
15 between \$500 and \$2,300:

16 a. The vendors falsely advised customers that a U.S. citizen who “relinquishes”
17 his Social Security number is no longer obligated to file tax returns, pay income
18 taxes, or perform other duties imposed by the Internal Revenue Code. As part of
19 this package sold by Global Prosperity, Struckman assisted customers in evading
20 employment taxes by providing a document falsely purporting to revoke or
21 rescind the taxpayer’s Social Security number.

22 b. The vendors falsely advised customers that an “American” national, or
23 “sovereign state citizen,” is foreign to the Federal United States Government
24 Corporation, thus any income received is non-taxable foreign earned income. As
25 part of this tax-fraud package sold by Global Prosperity, the vendors advised
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1 customers that they were not required to file income tax returns after filing a
2 statement of citizenship included in the package.

3 c. The vendors falsely advised customers that American nationals or sovereign
4 state citizens, have no “contractual nexus” with the United States and are not
5 required to file tax returns or pay income taxes on wages. As part of the package
6 sold by Global Prosperity, Struckman assisted customers in evading income taxes
7 by providing a document purporting to revoke or rescind their “contractual
8 nexus” with the United States.

9 d. The vendors falsely advised customers that the U.S. Supreme Court ruled that
10 the 16th Amendment created no new power of taxation and did not amend or
11 change the constitutional limits that forbid any direct taxation on individuals.
12 Thus, the vendors falsely advised that the current laws relating to income tax,
13 Social Security, and related taxes, have never applied to anyone other than
14 appointed and elected government officials or employees.

15 e. The vendors falsely advised customers that they were not required to report
16 wage income earned while working in the United States because U.S.-source
17 wages are not taxable.

18 f. The vendors falsely advised customers that a “sovereign American national”
19 may refuse with impunity to obey any summons or other directive from the
20 federal government.

21 15. Global Prosperity vendors made the following false statements regarding the federal
22 income tax laws, as part of fraudulent tax reduction packages sold by Global Prosperity
23 that assisted wage-earning customers in evading the federal income tax:

24 a. The vendors assisted customers in forming foreign entities without tax
25 reporting identification numbers, and advised them to renegotiate their contract
26 with their employer to have their employer do business with that foreign entity.

1 The vendors falsely advised customers that up to \$75,000 of the payments to the
2 foreign entity can be excluded from income, as foreign source income under the
3 provisions of I.R.C. § 911, even if the source of the activity is within the United
4 States.

5 b. The vendors falsely advised customers that United States citizens can become
6 sovereign state citizens by revoking their Social Security numbers, and can
7 demand that their employer discontinue withholding income and Social Security
8 taxes.

9 c. The vendors sold the HTS Identity Redemption package that provided
10 purchasers with a U.C.C.-1 filing statement purporting to “redeem” the
11 individual’s identity. The HTS Identity Redemption package, which retailed for
12 between \$500 to \$2,300, fraudulently advised purchasers that HTS’s product
13 would allow them to refuse any summons or other directive from the federal
14 government (including the IRS) after the filing of the U.C.C.-1 statement.

15 16. By arranging marketing seminars, and by endorsing the tax-fraud schemes sold by
16 participating vendors, Struckman furnished or caused to be furnished to Global
17 Prosperity members (a) false statements about the tax benefits purportedly available from
18 the tax-fraud schemes and also (b) documents and methods used to claim false
19 deductions, conceal assets, and under-report income as described above.

20 17. Struckman has an extensive knowledge of both business and the income tax laws, and
21 therefore he knew or had reason to know that tax-fraud schemes promoted or endorsed by
22 Global Prosperity and/or participating vendors were unlawful.

23 18. In July 1997, the Michigan Attorney General issued a cease-and-desist order requiring
24 Global Prosperity to discontinue the multi-level marketing of fraudulent tax schemes in
25 that state. In 1998, the Attorneys General of Massachusetts, Missouri, North Dakota,
26 Oregon, and South Dakota issued similar cease-and-desist orders. Global Prosperity
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1 continued doing business following the cease-and-desist orders under a modified name
2 and restricted its promotion to offshore locations.

3 19. As a Global Prosperity director, Struckman was aware of the cease-and-desist orders
4 preventing Global Prosperity from doing business in those states.

5 20. On or about March 2001, after execution of the search warrants with respect to the
6 Global Prosperity promotion, Struckman established Pinnacle Quest International (PQI),
7 a successor organization to Global Prosperity, in order to carry on Global Prosperity's
8 fraudulent business.

9 21. In 2008, PQI was preliminarily enjoined from engaging in activity subject to penalty
10 under 26 U.S.C. § 6700 including making, in connection with the organization or sale of
11 any plan or arrangement, any statement about the securing of any tax benefit that PQI and
12 its Executive Council members, know or have reason to know is false or fraudulent as to
13 any material matter, including false statements contained on audio CDs sold to its
14 customers. *See United States v. Pinnacle Quest Int'l., et al.*, Case No. 08-cv-136-RV-
15 EMT (N.D. Fla.). In its preliminary injunction order, the court found that individuals
16 who spoke on PQI's audio courses made false and fraudulent statements about the
17 internal revenue laws, and PQI allowed vendors to promote fraudulent tax schemes to its
18 customers at PQI's conferences.

19 22. In 2010, several of PQI's Executive Council members, including Claudia Hirmer who co-
20 founded PQI with Struckman, were convicted of conspiring to defraud the IRS.

21 23. Struckman's schemes harm the government by fraudulently reducing customers' reported
22 tax liabilities. Based on the Global Prosperity customer list, it is possible that over
23 44,000 customers have used Global Prosperity's tax-fraud schemes to evade income
24 taxes. (Compl., Dkt. No. 1, at ¶ 29). The Internal Revenue Service is harmed by
25 Struckman's conduct because it must dedicate a portion of its scarce resources to
26 detecting and examining the inaccurate returns filed by Global Prosperity and PQI
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1 customers as result of Struckman’s tax-fraud schemes, and in attempting to recover
2 unpaid taxes. Some of this revenue loss may never be recovered.

3 24. The IRS estimates that during 2001 the difference between the amount of taxes paid, and
4 the amount that should have been paid, equaled \$345 billion. Tax-fraud schemes such as
5 those promoted by Defendant contribute to the tax gap described in the report.

6 25. Struckman’s background and extensive involvement in these elaborate schemes indicate
7 that the misconduct described in this complaint or other similar misconduct is likely to
8 recur unless he is permanently enjoined.

9 **Conclusions of Law**

10 26. Under 26 U.S.C. § 7408, a tax-scheme promoter may be enjoined if a court finds “(1) that
11 the person has engaged in any conduct subject to penalty under section 6700 (relating to
12 penalties for promoting abusive tax shelters) . . . [and] (2) that injunctive relief is
13 appropriate to prevent recurrence of such conduct.” Here, the undisputed facts establish
14 that: (1) Struckman engaged in conduct that subjects him to penalty under 26 U.S.C. §
15 6700; and (2) an injunction is necessary and appropriate to prevent recurrence of such
16 conduct.

17 27. Because 26 U.S.C. § 7408 expressly authorizes the injunction, Struckman may be
18 permanently enjoined without considering the traditional equitable prerequisites.¹

19 28. Under 26 U.S.C. § 7408, the government must prove five elements to enjoin Struckman:
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22 ¹ See *United States v. Estate Preservation Services*, 202 F.3d 1093, 1098 (9th Cir. 2000) (“The
23 traditional requirements for equitable relief need not be satisfied since Section 7408 expressly
24 authorizes the issuance of an injunction”); *United States v. Hempfling*, 431 F. Supp. 2d 1069,
25 1075-76 (E.D. Cal. 2006) (same); *United States v. Cohen*, 222 F.R.D. 652, 653 (W.D. Wash.
26 2004) (holding that for a permanent injunction the United States need meet only the criteria of
27 I.R.C. § 7408, and not the equitable factors).

1 (1) Struckman organized or sold, or participated in the organization or sale of, an entity,
2 plan, or arrangement;

3 (2) In connection therewith Struckman made or caused to be made false or fraudulent
4 statements concerning the tax benefits to be derived from the entity, plan, or
5 arrangement;

6 (3) Struckman knew or had reason to know that the statements were false or fraudulent;

7 (4) Struckman's false or fraudulent statements pertained to a material matter; and

8 (5) An injunction is appropriate to prevent recurrence of this conduct.²

9 29. The government must prove each element by a preponderance of the evidence.³ The
10 government has established each of these five elements. Thus, Struckman should be
11 permanently enjoined from engaging in conduct subject to penalty under 26 U.S.C. §
12 6700.

13 30. Struckman organized two similar tax-fraud arrangements. First, Struckman sold
14 customers an audio course that contained false statements about the internal revenue
15 laws, but also provides exclusive access to approved vendors of tax fraud schemes.
16 Second, Struckman organized seminars at which Global Prosperity allowed tax-fraud
17 promoters to hawk their wares.

18 31. This is a plan or arrangement within the meaning of 26 U.S.C. § 6700 because
19 Struckman, through Global Prosperity organized these conferences, endorsed vendors to
20 promote fraudulent tax products at the conferences, sold customers admission to the
21 conferences, and received a portion of the proceeds.

22 32. Consequently, Struckman participated in the sale of an entity, plan or arrangement,
23 within the meaning of 26 U.S.C. § 6700(a)(1)(A).⁴

24 ² 26 U.S.C. §§ 6700(a), 7408(b).

25 ³ *United States v. Estate Preservation Services*, 202 F.3d at 1097.

26 ⁴ *See, e.g. United States v. Mid-South Music Corp.*, 624 F.Supp. 673, 676 (M.D. Tenn. 1985)
27 (discussing the phrase "abusive tax shelter" for § 6700 purposes).

- 1 33. Struckman made false statements about the tax benefits to be derived from these
2 arrangements in two ways.
- 3 34. First, the audio course he sold contained false and fraudulent statements about the
4 internal revenue laws and the benefits that can purportedly be derived from using Global
5 Prosperity's vendors' products.
- 6 35. Second, Struckman organized fora at which vendors of tax fraud schemes were
7 knowingly allowed to present false and fraudulent statements about the benefits that
8 could purportedly be derived from using their schemes.
- 9 36. Struckman knew or had reason to know that their statements were false or fraudulent.
- 10 37. Under 26 U.S.C. §6700, a court may infer the knowledge a reasonable person in the
11 defendant's position would have discovered, Estate Preservation Servs., 202 F.3d at
12 1103, and may impute to the defendant knowledge "commensurate with the level of
13 comprehension required by the speaker's role in the transaction," United States v.
14 Cambell, 897 F.2d 1317, 1321-22 (5th Cir. 1990).
- 15 38. A reasonable person in Struckman's position would discover that schemes purporting to
16 allow U.S. citizens to stop paying federal income taxes are not legal.
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- 18 39. The false statements made by Struckman are "material" within the meaning of section
19 6700.
- 20 40. If a particular statement has a substantial impact on the decision-making process or
21 produces a substantial tax benefit to a taxpayer, the matter is properly regarded as
22 "material" within the meaning of section 6700. United States v. Buttorff, 761 F.2d 1056,
23 1062 (5th Cir. 1985).
- 24 41. Customers could rely on false statements made on Global Prosperity's audio course and
25 statements made by Global Prosperity vendors in deciding to not file federal income tax
26 returns and to not pay federal income taxes.
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1 42. The court must also determine whether “injunctive relief is appropriate to prevent
2 recurrence of such conduct.”⁵

3 43. This element is satisfied where there is a reasonable likelihood of continued fraudulent
4 conduct.⁶

5 44. Other factors are: (1) whether mechanisms are in place for continuing the business or
6 scheme; (2) whether the defendant had a high degree of knowledge and level of intent;
7 (3) whether the actionable conduct was an isolated occurrence; (4) whether the defendant
8 insists on the legality of his actions; and (5) whether the defendant has provided
9 assurances that he will change her behavior in the future.⁷

10 45. Struckman’s conduct demonstrates that only a court order will prevent him from
11 continuing to promote tax-fraud schemes. When the government took action against
12 Global Prosperity, Struckman established a new organization, PQI, to carry on Global
13 Prosperity’s work. Because of Struckman’s continued promotion of tax fraud schemes,
14 an injunction is necessary to prevent Struckman from forming another business that
15 hawks tax fraud schemes.

16 46. Internal Revenue Code § 7402(a) grants federal district courts broad authority to issue
17 orders of injunction and to render such judgments as may be necessary or appropriate for
18 the enforcement of the internal revenue laws.

19 47. An injunction under § 7402 can be issued “in addition to and not exclusive of any and all
20 other remedies of the United States in such courts or otherwise to enforce such laws.”⁸

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24 ⁵ 26 U.S.C. § 7408(b)(2).

25 ⁶ See *Kaun*, 827 F.2d at 1149-50.

26 ⁷ *Id.*

27 ⁸ I.R.C. § 7402.

1 48. It manifests the “Congressional intention to provide the district courts with a full arsenal
2 of powers to compel compliance with the internal revenue laws.”⁹

3 49. The Court finds that an injunction under § 7402 is necessary and/or appropriate to ensure
4 that Struckman does not continue to promote tax-fraud schemes and to engage in other
5 conduct that substantially interferes with the proper administration and enforcement of
6 internal revenue laws.

7 **ORDER**

8 Based on the foregoing findings of fact and conclusions of law it is hereby ORDERED
9 that the United States’ Motion for Default Against David Struckman is GRANTED. (Dkt. No.
10 11.)

11 The Court enters the following permanent injunction against David Struckman, both
12 individually and doing business as both individually and doing business as Global Prosperity
13 Group, Global Prosperity Marketing Group, Global Prosperity 2001, and Institute of Global
14 Prosperity:

15 A. Pursuant to 26 U.S.C. §§ 7402 and 7408, Struckman and his representatives,
16 agents, servants, employees, and anyone in active concert or participation with
17 him, are prohibited from directly or indirectly by means of false, deceptive, or
18 misleading commercial speech:

19 (I) Organizing, promoting, marketing, or selling (or assisting therein) any
20 tax shelter, plan, or other arrangement, that incites or assists customers to
21 attempt to violate the internal revenue laws or unlawfully evade the
22 assessment or collection of their federal tax liabilities or unlawfully claim
23 improper tax refunds;

24 (ii) Engaging in activity subject to penalty under 26 U.S.C. § 6700,
25 including making, in connection with the organization or sale of any plan
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27 ⁹ *Brody v. United States*, 243 F.2d 378, 384 (1st Cir. 1957).


1 or arrangement, any statement about the securing of any tax benefit that
2 the defendant knows or has reason to know is false as to any material
3 matter; and

4 (iii) Engaging in conduct subject to penalty under any provision of the
5 Internal Revenue Code, or engaging in any other conduct that interferes
6 with the proper administration and enforcement of the internal revenue
7 laws.

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9 B. It is also ORDERED that this Court allow the government full post-judgment
10 discovery to monitor Struckman's compliance with the injunction.

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12 C. The Clerk is DIRECTED to CLOSE the case.

13 Dated this 27th day of April 2011

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17 JOHN C. COUGHENOUR
18 United States District Judge
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