

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF ILLINOIS  
PEORIA DIVISION

DEFAULT JUDGMENT AND PERMANENT INJUNCTION AGAINST  
YVONNE M. MALONE

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

**Standards for Injunction**

[2] To obtain an injunction under 26 U.S.C. (IRC) § 7408, the United States must show that Yvonne Malone engaged in conduct subject to penalty under §§ 6700 or 6701, and that injunctive relief is appropriate to prevent the recurrence of such conduct. To obtain an injunction under IRC § 7402, the United States must show that Malone engaged in conduct that interferes with the administration and enforcement of the Internal Revenue laws, and that injunctive relief is appropriate to prevent the recurrence of such conduct pursuant to the Court's inherent equity powers.

**Factual Findings**

[3] Based on the evidence, the Court finds as follows:

1. Yvonne Malone promotes and organizes abusive tax shelters, plans or arrangements, recommending the misuse of trusts, and advising customers to violate the Internal Revenue laws.
2. In promoting these illegal schemes, Malone has made false statements about the internal revenue laws, including but not limited to the following:
  - o Wages are not taxable income;
  - o The federal income tax is unconstitutional as a direct tax not apportioned among the states;
  - o The Internal Revenue Service is not legally authorized to collect taxes;
  - o Filing tax returns and paying taxes, including income taxes, are voluntary;
  - o The federal tax laws apply only to foreign earned income;.

3. Absent this injunction, Malone will continue to promote these abusive tax schemes.

4. If this injunction is not granted, the United States will suffer irreparable harm because Malone's conduct is causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may not be recoverable. The IRS will have to devote substantial time and resources examining customers' returns, and may be unable to detect all of them.

5. Malone's positions regarding the taxability of wages and other income, and the use of trusts to thwart IRS collection efforts are meritless. The Government, therefore, will likely prevail on the merits.

6. The injury to the United States caused by Malone's conduct outweighs any injury an injunction might cause.

7. The public is served by granting this injunction. If an injunction is granted, it will help to stem the spread of these abusive tax schemes.

#### **Conclusions of Law**

[4] Based on the evidence presented, the Court finds that Yvonne Malone engaged in conduct subject to penalty under IRC §§6700 and that injunctive relief under IRC § 7408 is appropriate to prevent the recurrence of that conduct. The Court further finds that Malone engaged in conduct with interferes with the administration and enforcement of the Internal Revenue laws and that injunctive relief is appropriate to prevent the recurrence of such conduct under the Court's inherent equity powers as provided in IRC § 7402(a).

#### **Order**

[5] Following the above Findings of Fact and Conclusions of Law, it is hereby ORDERED that defendant Yvonne Malone is restrained and enjoined from directly or indirectly:

(a) Organizing or selling abusive tax shelters, plans, programs or arrangements that advise or encourage taxpayers to attempt to evade the assessment or collection of their correct federal tax;

(b) Making false statements about the allowability of any deduction or credit, the excludability of any income, or the securing of any other tax benefit by the reason of participating in such tax shelters, plans, programs, or arrangements;

(c) Instructing or advising taxpayers to not file tax returns, not pay taxes, and/or to understate their federal income tax liabilities in connection with the marketing of trusts or other programs;

(d) Engaging in any other activity subject to penalty under I.R.C. § 6700;

(e) Engaging in other similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

[6] It is further

[7] ORDERED, that Yvonne Malone provide within 10 days a complete list of clients (including names, addresses, phone numbers, and social security numbers or employer identification numbers) who have purchased The Reliance Offense, or a UBTO, or who have obtained any services from the Joy Foundation; it is further ORDERED, that Malone is required to mail a copy of the Complaint in this action and this Court's Order of Permanent Injunction to:

- a. All persons who purchased The *Reliance Offense*, a UBTO, or any other materials or trust packages from Malone or her agents or designees;
- b. All persons who conducted any transactions with the Joy Foundation since January 1, 1995; and
- c. All Joy Foundation members since January 1, 1995.

[8] Malone shall do this within 20 days of the date of this order and shall, within 25 days of the date of this order, file with the Court and serve on Government counsel a list of the names and addresses of all persons who have been so notified; it is further ORDERED, that the United States may engage in post-judgment discovery to monitor the defendant's compliance with this injunction.

[9] SO ORDERED this 18th day of October 2002.

UNITED STATES DISTRICT  
JUDGE

\* \* \*

**DEFAULT JUDGMENT AND PERMANENT INJUNCTION AGAINST  
JACK L. MALONE AND THE JOY FOUNDATION**

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

**Standards for Injunction**

[11] To obtain an injunction under 26 U.S.C. (IRC) § 7408, the United States must show that Jack Malone and the Joy Foundation engaged in conduct subject to penalty under §§ 6700 or 6701, and that injunctive relief is appropriate to prevent the recurrence of such conduct. To obtain an injunction under IRC § 7402, the United States must show that

**Jack Malone and the Joy Foundation engaged in conduct that interferes with the administration and enforcement of the Internal Revenue laws, and that injunctive relief is appropriate to prevent the recurrence of such conduct pursuant to the Court's inherent equity powers.**

### **Factual Findings**

**[12] Based on the evidence, the Court finds as follows:**

- 1. Jack Malone and the Joy Foundation promote and organize abusive tax shelters, plans or arrangements, recommending the misuse of trusts, and advising customers to violate the Internal Revenue laws.**
- 2. In promoting these illegal schemes, Jack Malone and the Joy Foundation have made false statements about the internal revenue laws, including but not limited to the following:**
  - o Wages are not taxable income;**
  - o The federal income tax is unconstitutional as a direct tax not apportioned among the states;**
  - o The Internal Revenue Service is not legally authorized to collect taxes;**
  - o Filing tax returns and paying taxes, including income taxes, are voluntary;**
  - o The federal tax laws apply only to foreign earned income;**
- 3. Absent this injunction, Malone will continue to promote these abusive tax schemes.**
- 4. If this injunction is not granted, the United States will suffer irreparable harm because Malone's conduct is causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may not be recoverable. The IRS will have to devote substantial time and resources examining customers' returns, and may be unable to detect all of them.**
- 5. Malone's positions regarding the taxability of wages and other income, and the use of trusts to thwart IRS collection efforts are meritless. The Government, therefore, will likely prevail on the merits.**
- 6. The injury to the United States caused by Malone's conduct outweighs any injury an injunction might cause.**
- 7. The public is served by granting this injunction. If an injunction is granted, it will help to stem the spread of these abusive tax schemes.**

### **Conclusions of Law**

**[13] Based on the evidence presented, the Court finds that Yvonne Malone engaged in conduct subject to penalty under IRC §§6700 and that injunctive relief under IRC § 7408 is appropriate to prevent the recurrence of that conduct. The Court further finds that**

Malone engaged in conduct which interferes with the administration and enforcement of the Internal Revenue laws and that injunctive relief is appropriate to prevent the recurrence of such conduct under the Court's inherent equity powers as provided in IRC § 7402(a).

### Order

[14] Following the above Findings of Fact and Conclusions of Law, it is hereby ORDERED that defendant Yvonne Malone is restrained and enjoined from directly or indirectly:

- (a) Organizing or selling abusive tax shelters, plans, programs or arrangements that advise or encourage taxpayers to attempt to evade the assessment or collection of their correct federal tax;
- (b) Making false statements about the allowability of any deduction or credit, the excludability of any income, or the securing of any other tax benefit by the reason of participating in such tax shelters, plans, programs, or arrangements;
- (c) Instructing or advising taxpayers to not file tax returns, not pay taxes, and/or to understate their federal income tax liabilities in connection with the marketing of trusts or other programs;
- (d) Engaging in any other activity subject to penalty under I.R.C. § 6700;
- (e) Engaging in other similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

[15] It is further

[16] ORDERED, that Yvonne Malone provide within 10 days a complete list of clients (including names, addresses, phone numbers, and social security numbers or employer identification numbers) who have purchased *The Reliance Offense*, or a *UBTO*, or who have obtained any services from the Joy Foundation; it is further ORDERED, that Malone is required to mail a copy of the Complaint in this action and this Court's Order of Permanent Injunction to:

- a. All persons who purchased *The Reliance Offense*, a *UBTO*, or any other materials or trust packages from Malone or her agents or designees;
- b. All persons who conducted any transactions with the Joy Foundation since January 1, 1995; and
- c. All Joy Foundation members since January 1, 1995.

[17] Malone shall do this within 20 days of the date of this order and shall, within 25

days of the date of this order, file with the Court and serve on Government counsel a list of the names and addresses of all persons who have been so notified; it is further ORDERED, that the United States may engage in post-judgment discovery to monitor the defendant's compliance with this injunction.

[18] SO ORDERED this 18th day of October 2002.

UNITED STATES DISTRICT  
JUDGE