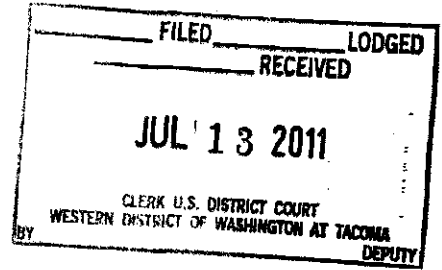


U.S. Magistrate Judge J. Richard Creatura



UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT TACOMA

UNITED STATES OF AMERICA,  
Plaintiff,  
v.  
RAYMOND LEO JARLIK BELL,  
a/k/a Raymond Leo Bell,  
UTE CHRISTINE JARLIK BELL,  
Defendants.

NO. *MJ11-5138*  
CRIMINAL COMPLAINT  
Title 18, United States Code, Section  
287

Before the Honorable J. Richard Creatura, United States Magistrate Judge, at  
Tacoma, Washington.

**COUNT ONE - THREE**

**(False, Fictitious or Fraudulent Claims)**

On or about the following dates, in the Western District of Washington, and  
elsewhere, defendants RAYMOND LEO JARLIK BELL and UTE CHRISTINE JARLIK  
BELL knowingly made and presented, and aided and abetted the making and  
presentation, to the United States Treasury Department a claim against the United States  
for payment of a refund of taxes in the amounts set forth below, when they then and there  
knew to be false, fictitious and fraudulent. Defendants RAYMOND LEO JARLIK BELL  
and UTE CHRISTINE JARLIK BELL made said claims by preparing and causing to be  
prepared an IRS Form 1040, which was presented to the United States Treasury  
Department through the Internal Revenue Service.

*V. Lombardi*

Count	Date	Refund Claimed
1	June 17, 2008	\$112,069
2	January 7, 2009	\$94,756
3	July 29, 2009	\$113,798

All in violation of Title 18, United States Code, Sections 287 and 2.

DEBBIE WHITE, Affiant, being first duly sworn, state as follows:

### INTRODUCTION

1. I have been a Special Agent with the United States Treasury Department, Internal Revenue Service - Criminal Investigation for over 17 years. I am presently assigned to the Seattle Field Office, Bellevue, Washington post of duty. My duties as a special agent are to investigate criminal violations of the Internal Revenue Code, (Title 26), the Bank Secrecy Act (Title 31), and the Money Laundering Control Act of 1986 (Title 18). I have a Bachelors of Science degree in Criminal Justice. I received six months of intensive training at the Federal Law Enforcement Center in Glynco, Georgia, to become a Special Agent. This training emphasized the investigation of criminal offenses under Titles 26, 18, and 31 of the United States Code.

2. During my employment as a Special Agent, I have attended continuing educational classes and seminars in various aspects of criminal investigation, dealing specifically with money laundering, asset seizure and forfeiture, various financial investigative techniques, and related financial investigations.

3. I make this affidavit in support of arrest warrants for RAYMOND LEO JARLIK BELL, and CHRISTINE UTE JARLIK BELL. As set forth herein, there is probable cause to believe that both individuals have jointly submitted false and fraudulent claims to the United States, specifically, fraudulent claims for tax refunds, in violation of 18 U.S.C. §§ 287 and 2.

4. This affidavit is based on my own investigation and on information provided to me by other law enforcement officers. This affidavit is prepared for the limited purpose of obtaining arrest warrants, and therefore does not contain every fact

1 known to me about this investigation.

## 2 II. SUMMARY OF PROBABLE CAUSE.

### 3 **A. BACKGROUND OF TAX SCHEME.**

4 5. An original issue discount, or "OID," is a form of interest that typically  
5 arises with certain bonds. For example, an investor purchases a bond for \$5,000 that can  
6 be redeemed a year later for \$6,000. The investor has purchased the bond for a \$1,000  
7 "discount," i.e., the investor will earn \$1,000 in interest over the course of the bond by  
8 time it is redeemed.

9 6. The IRS requires that the bond holder pay tax on this interest. A financial  
10 institution or other entity will issue the bond holder a Form 1099-OID reporting the  
11 \$1,000 as taxable income. In some circumstances, the financial institution or entity will  
12 withhold tax on this amount. The bond holder is required to report this amount on his or  
13 her income tax return regardless whether the money was withheld by the financial  
14 institution.

15 7. The IRS has encountered a nationwide tax refund scheme involving Forms  
16 1099-OID, that has nothing to do with the legitimate reporting of OID interest. The IRS  
17 has addressed this scheme in several publications, including the *Truth About Frivolous*  
18 *Arguments*. The publication describes the scheme as follows:

19 Contention: A Form 1099-OID can be used as a debt payment option or the  
20 form or a purported financial instrument and may be used to obtain money  
from the Treasury.

21 Advocates of this contention encourage individuals to use a Form  
22 1099-OID, Original Issue Discount, or a bogus financial instrument such as  
a bonded promissory note as what purports to be a debt payment method for  
23 credit cards or mortgage debt. This scheme has evolved somewhat from an  
earlier frivolous position under which a secret bank account (sometimes  
referred to as a "straw man" account) was supposedly created at the  
24 Treasury Department for each U.S. citizen that individuals could use to pay  
tax and non-tax debts and claim withholding credits. Those who put forth  
25 this theory often argue that the proper way to redeem or draw on the  
account is to use some form of made-up financial instrument. This has  
26 frequently involved what looks like a check drawn on the United States  
Treasury or other similar paper instruments, e.g., bonded promissory notes.

27  
28 More recently, this redemption theory asserts that persons can draw on the  
secret or "straw man" Treasury account by sending a Form 1099-OID to a

1 creditor and the creditor can present the form to the Treasury Department  
 2 and receive full payment of the debt. The proponents appear to assert that  
 3 the Form 1099-OID permits them to access their secret Treasury Account  
 for an amount equal to the face amount of the Form 1099-OID in the form  
 of a tax refund.

4 Proponents of this theory appear to additionally argue that they have sold or  
 5 transferred their debt or obligation to the person to whom they issued the  
 Form 1099-OID in a transaction subject to sections 1271 through 1275 and  
 6 that the debt or obligation is transferred with a discount of the full face  
 amount. The issuer of the Form 1099-OID then treats the face amount of the  
 Form 1099-OID as "other income" on the individual's return. The "other  
 7 income" amount, however, is not included in the taxable income line.

8 Persons asserting this theory often significantly overstate withholding and  
 9 claim an excessive refund in an amount close or identical to the inflated  
 withholding.

10 The Law: As the instructions to the Form 1099-OID indicate, the purpose  
 of the form is to report the original issue discount of holders of OID  
 11 obligations, like certificates of deposit, time deposits, bonds, debentures,  
 bonus saving plans, and Treasury inflation-indexed securities, having a term  
 12 of more than one year. OID is simply the excess of the stated  
 redemption of the deposit, bond, or other financial obligation at maturity  
 13 over its issue price. Under section 1272, OID is taxable as interest over the  
 life of the obligation and must be included in the holder's gross income each  
 14 taxable year that the obligation is held. Certain obligations are excepted,  
 including United States savings bonds and short-term (less than one year)  
 15 and tax-exempt obligations.

16 The Form 1099-OID is in no way a financial instrument. It is not a  
 legitimate method of payment of any public or private debt, and it is not a  
 17 means to withdraw or redeem money from the Treasury. Furthermore, as the  
 federal Court of Appeals for the Sixth Circuit stated in *United States v.*  
 18 *Anderson*, 353 F.3d 490, 500 (6th Cir. 2003), *cert. denied*, 541 U.S. 1068  
 (2004), the Treasury Department does not maintain depository accounts  
 19 against which an individual can draw a check, draft, or any other financial  
 instrument. The notion of secret accounts assigned to each citizen is pure  
 20 fantasy.

21 In addition to potential civil and criminal tax penalties for misuse of the  
 Form 1099-OID, persons who fraudulently use false or fictitious  
 22 instruments may be guilty of federal criminal offenses, such as under  
 Sections 287 and 514(a) of Title 18.

23 The IRS has issued Revenue Ruling 2005-21, 2005-1 C.B. 822 ("straw  
 24 man") and Revenue Ruling 2004-31, 2004-1 C.B. 617 (commercial  
 redemption) warning taxpayers of the consequences of making such  
 25 frivolous arguments.

26 **B. JARLIK-BELL'S PRIOR TAX ISSUES.**

27 8. The information in this Affidavit refers to Raymond Leo Jarlik-Bell (also  
 28 known as Raymond Bell) who resides with his wife, Ute Christine Jarlik-Bell at the

1 subject residence, 22727 Trails End Road SE, Yelm, WA 98597. The Jarlik-Bells are  
2 participants in the "Sovereign Assemblies" movement and consider themselves  
3 "sovereign citizens." As sovereign citizens, they believe they are not subject to some or  
4 all of the laws governing the citizens of the United States.

5 9. On or about May 23, 2005, Raymond Bell was permanently barred from  
6 promoting two tax fraud schemes by the U.S. District Court for the Western District of  
7 Washington at Tacoma, Civil No. 04-5648RJB. As part of the permanent injunction  
8 order, Bell's two businesses, American Beauty Rose and Best Way, Inc., were also barred  
9 from selling the tax fraud schemes. The court found that the Bell's first scheme used  
10 sham trusts and unincorporated business organizations as a means of attempting to  
11 conceal income from the IRS. As a second part of the scheme, Bell helped his clients  
12 falsely claim tax-exempt status for their businesses and assisted clients in fabricating and  
13 inflating deductions in a fraudulent attempt to evade income and employment taxes.  
14 Specifically, Bell was permanently enjoined from:

15 a) Organizing, promoting, marketing, or selling any entity, plan, or  
16 arrangement that incites taxpayers to attempt to violate the internal revenue laws or  
17 unlawfully evade the assessment of their federal tax liabilities;

18 b) Causing other individuals and entities to understate their federal tax  
19 liabilities and avoid paying federal taxes;

20 c) Further engaging in any conduct subject to penalty under I.R.C.  
21 §6700, i.e., making or furnishing, in connection with the organization or sale of any  
22 entity, plan, or arrangement, a statement about the allowability of any deduction or credit,  
23 the excludability of any income, or the securing of any other tax benefit that defendants  
24 know or have reason to know is false or fraudulent as to any material matter;

25 d) Further engaging in any conduct subject to penalty under I.R.C.  
26 §6701, i.e., aiding, assisting, or advising with respect to the preparation or presentation of  
27 any portion of a return or other document knowing that such document, if used, will result  
28 in the understatement of another person's tax liability; and

1 e) Further engaging in any conduct that interferes with the  
2 administration and enforcement of the internal revenue laws.

3 10. As outlined below, and despite that injunction, there is probable cause to  
4 believe that Jarlik-Bell is currently involved in a tax refund scheme, in direct violation of  
5 the Permanent Injunction imposed by United States District Judge Robert J. Bryan, and  
6 therefore in violation of 18 U.S.C. §§ 401 and 402.

7 **C. PERSONAL TAX RETURNS**

8 11. During the course of my investigation, I obtained a copy of three Federal  
9 income tax returns filed by Raymond Leo Jarlik-Bell; two returns for 2007 and one for  
10 2008. All three of the tax returns were classified as frivolous returns by the IRS Ogden  
11 Service Center. All three of the tax returns reflected inflated Federal income tax withheld  
12 from Forms 1099-OID, resulting in large claimed fraudulent tax refunds.

13 12. Based on my investigation, the Bells did not receive the income reflected,  
14 nor was any tax withheld, contrary to the representations made on the returns, in violation  
15 of 18 U.S.C. § 287.

16 13. More specifically, a 2007 Federal income tax return, Form 1040, was  
17 received at the IRS on or about June 17, 2008<sup>1</sup> seeking a tax refund of \$112,069. The tax  
18 return was self prepared and filed in the names Raymond L. Bell Jr., and Ute C.  
19 Jarlik-Bell of Yelm, WA. The tax return appears to be computer-generated with a few  
20 numbers handwritten in. The tax return was postmarked in Olympia, WA and the return  
21 address on the envelope was R. Jarlik-Bell, PO Box 2336, Yelm, WA 98597. Based on  
22 my investigation, the Bells were not entitled to the refunds sought.

23 14. A second 2007 Federal income tax return, Form 1040, was received by the  
24 IRS on or about January 7, 2009 seeking a tax refund of \$94,756. The tax return was  
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26 <sup>1</sup> The document bears multiple received stamps from various parts of the IRS. As  
27 near as I can determine, this date is the earliest date the return was received by an IRS  
28 component.

1 filed in the names Raymond L. Bell, Jr., and Ute C. Jarlik-Bell, 22727 Trails End Dr.  
2 SE, Yelm, WA 98597 (the Subject Residence). The tax return appears to be  
3 computer-generated. This return also contained a Form 1096, Annual Summary and  
4 Transmittal of U.S. Information Returns, for the tax year 2007. The Form 1096 is used to  
5 transmit paper Forms 1099-OID and other forms to the IRS. The Filer's name is  
6 Raymond Leo Bell, 22727 Trails End Dr., SE, Yelm, WA 98597. The contact person is  
7 listed as Raymond Leo Bell, telephone number (360) 894-7917, and email address  
8 [jarlikbell777@gmail.com](mailto:jarlikbell777@gmail.com). Attached to the Form 1096 are three Forms 1099-OID in the  
9 names Westar Funding, Inc., Bank of America, and Venture Bank; each reflecting Federal  
10 income tax withheld of \$50,000, \$563.90, and \$63,376, respectively.

11 15. I have reviewed records from each of these entities, and it appears that none  
12 of these entities actually issued the 1099-OIDs attributed to them. In addition, I have  
13 confirmed by correspondence and conversations with Westar that the form is not their  
14 record.

15 16. On September 18, 2008, IRS Form Letter 3175C was sent to Raymond L.  
16 Jr. and Ute Jarlik-Bell concerning their filing of frivolous income tax returns with the  
17 IRS. The letter states that if they continue to send in frivolous correspondence that the  
18 IRS will no longer respond to it. The IRS letter provides information regarding IRS  
19 Publication 2105, *Why Do I Have to Pay Taxes?*, and provided the IRS internet website to  
20 read the publication. In addition, the letter refers to a document entitled *The Truth About*  
21 *Frivolous Tax Arguments* which can also be found on the IRS website. The IRS letter  
22 further warns about a civil penalty of \$5,000 which may be imposed for filing frivolous  
23 tax.

24 17. It appears that once Raymond Jarlik-Bell received this letter, a stamp was  
25 applied to each page of the letter stating, "Accepted for honor and value by drawer  
26 exempt from levy exemption offset #5X-XXXX004." It is signed by Raymond Leo Bell  
27 as Agent and is dated October 21, 2008. The stamped message continues "Deposit to the  
28 US Treasury and Charge the same to IRS-US Treas Via Pass Through Account

1 #5XX-XX-XXX4." Both of the account numbers indicated on the stamp is Jarlik-Bell's  
2 social security number (and is therefore partially redacted in this affidavit). The letter  
3 appears to have been mailed back to the IRS with a cover letter from Jarlik-Bell, in which  
4 he explained that he was unable to determine how to report the Forms 1099-OID and  
5 1096 information via his Turbo Tax program. He further states that "the filings in our  
6 (IRS) possession are the proper and complete for the period in question." The postmark  
7 indicates these documents were also mailed from Yelm, WA.

8 18. A 2008 Federal income tax return, Form 1040, was received at the IRS on  
9 or about July 20, 2009 in the names Raymond L. Bell, Jr., and Ute C. Jarlik-Bell, PO Box  
10 2336, Yelm, WA 98597, seeking a tax refund of \$113,798.00. The fraudulent refund  
11 claim was generated by inflated Federal income tax withholdings.

12 19. On April 29, 2009, IRS Form Letter 12C was sent to the Bells concerning  
13 their 2008 Form 1040. The letter requested additional information supporting the Federal  
14 withholding entry of \$140,975.00 on line 62 of Form 1040.

15 20. In a letter dated May 15, 2009, Raymond L. Bell, signed as Authorized  
16 Representative, responded to the IRS by submitting six fraudulently prepared Forms  
17 1099. There were two Forms 1099-OID purporting to be from Venture Bank, reflecting  
18 Federal income tax withheld of \$72,555 and \$68,420, totaling \$140,975. Line 62 of  
19 Form 1040 is where a taxpayer reports Federal income tax withheld from Forms W-2 and  
20 1099; meaning these taxes have already been paid or withheld.

21 21. There were two Forms 1099-A, Acquisition or Abandonment of Secured  
22 Property, with both the borrower and lender being Raymond L. Bell. The Form 1099-A In  
23 the "Description of Property" box is the following explanation - "Asset transfer to account  
24 for the deposits done by bank. Transfers covered by routing information 125107671  
25 12100992." These numbers represent Raymond Jarlik-Bell's bank account numbers at  
26 Venture Bank.

27 22. Forms 1099-A are used legitimately in the following circumstances: a  
28 borrower defaults on a loan that is secured by property. The lender takes possession of



1 the property and cancels the debt. If the amount of the cancelled debt is greater than the  
2 value of the property, the lender will issue the borrower a Form 1099-A reporting the  
3 difference as income to the borrower.

4 23. The Forms 1099-A submitted by Raymond Jarlik-Bell did not involve these  
5 circumstances. A Form 1099-A includes the following fields: lender, borrower,  
6 description of property, balance of principal outstanding and fair market value of  
7 property. Jarlik-Bell is identified as the lender and payer on the forms.

8 24. Finally, there were two Forms 1099-B, Proceeds From Broker and Barter  
9 Exchange Transactions, submitted by Jarlik-Bell. The legitimate use of Form 1099-B is  
10 required when a broker knows that a corporation in which you own stock has had a  
11 change in control or a substantial change in capital structure. A taxpayer may be required  
12 to recognize a gain from the receipt of cash, stock or other property that was exchanged  
13 for the corporation's stock. A Form 1099-B includes the following fields: payer,  
14 recipient, date of sale or exchange, a dollar amount for stocks, bonds, etc., and a  
15 description of the reported transaction. The Forms 1099-B submitted by Jarlik-Bell did  
16 not involve these circumstances.

17 25. Both Defendants signed each of the returns referenced above under penalty  
18 of perjury.

19 26. The IRS did not issue tax refunds to Jarlik-Bell for the 2007 and 2008  
20 returns. Each of the returns were deemed frivolous upon receipt by the IRS and  
21 forwarded to the Frivolous Return Unit at the IRS Service Center in Ogden, Utah.

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1           27. All three fraudulent returns are subscribed to by both Defendants. Based on  
2 the foregoing, I respectfully submit that there is probable cause to believe that both  
3 Defendants have therefore violated 18 U.S.C. §§ 287 and 2.  
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6 DEBORAH WHITE, Affiant  
7 Special Agent  
8 Internal Revenue Service

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10           Based on the Complaint and Affidavit sworn to before me, and subscribed in my  
11 presence, the Court hereby finds that there is probable cause to believe the defendant  
12 committed the offenses set forth in the Complaint.

13           Dated this 13<sup>th</sup> day of July, 2011.

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16 HON. J. RICHARD CREATURA  
17 United States Magistrate Judge  
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