

MONEY MYTHS SERIES

Sovereign Citizen Trusts, the Strawman, and “Accepted for Value”: Why They Fail

Strawman, A4V and private express trusts sold online fail in court. What the IRS, the courts and California trust law say, and what the sellers charge.

By Eric Ridley, attorney, Ridley Law · Updated September 2026 · Read online with live links: ridleylawoffices.com/sovereign-citizen-trust/

Part of our [money myths series](#), where we look at who gets paid when you follow money advice from social media.

The pitch: the government created a corporate “strawman” in your name, spelled in capital letters.

Move your house and income into a private or sovereign trust, stamp your bills “accepted for value,” and you’re out of the system: no taxes, no creditors, no probate. **The verdict:** every court that has looked at these theories has rejected them, the IRS lists them as frivolous with a \$5,000 penalty for each filing, and people who acted on them have lost homes and gone to prison.

\$5,000

IRS penalty for each frivolous return or submission (26 U.S.C. § 6702)

\$25,000

maximum Tax Court penalty for frivolous arguments (26 U.S.C. § 6673)

\$15,500

top price alleged for one California promoter’s trust package (DOJ suit, 2002)

\$256,000

California mortgage a couple tried to pay with a “bill of exchange” (Court of Appeal, 2005)

121 months

prison sentence for a “pure trust” promoter (Ninth Circuit, 2012)

Who gets paid. The person selling the trust, the course, or the “paperwork.” One private trust course on a creator storefront costs \$2,497 for lifetime access, and its page says all sales are final. A private trust membership sells for \$950 with no refunds. Older promoters charged more. A 2002 Justice Department suit alleged that one California promoter sold trust packages for as much as \$15,500, and a later suit alleged that an Arizona group charged \$4,154 to \$10,500 a trust. The seller keeps the fee whether or not the trust works. You keep the tax bill, the debt, and any penalty.

What is the strawman theory?

It's the belief that the government created a separate legal person, the "strawman," tied to your name in capital letters, and that the strawman owes the taxes and debts while the "real" you doesn't. Courts have heard it for decades. A federal judge in Connecticut described it as the claim that each person has two identities, a real person and a fictional person called the "strawman," and said these redemption theories have been rejected by federal courts for at least 25 years ([McLaughlin v. CitiMortgage](#), 2010).

The theory also promises a secret bank account. The FBI's 2011 bulletin on the movement says believers think each citizen has a Treasury account worth \$630,000 to more than \$3 million, reachable through the strawman ([FBI Law Enforcement Bulletin](#), 2011). The IRS answer is short: the notion of secret accounts assigned to each citizen "is pure fantasy" ([IRS, The Truth About Frivolous Tax Arguments](#)).

A defendant once told the Seventh Circuit he wasn't the "all-capital, corporate fiction person, debtor, straw man" named in his indictment. The court said a person who calls himself sovereign or a secured-party creditor is still within the courts' reach, and that these theories should be rejected summarily, however they are presented ([United States v. Benabe](#), 2011). The birth certificate version of the story has its own page: [is your birth certificate a bond?](#)

Who gets paid when you buy a sovereign trust?

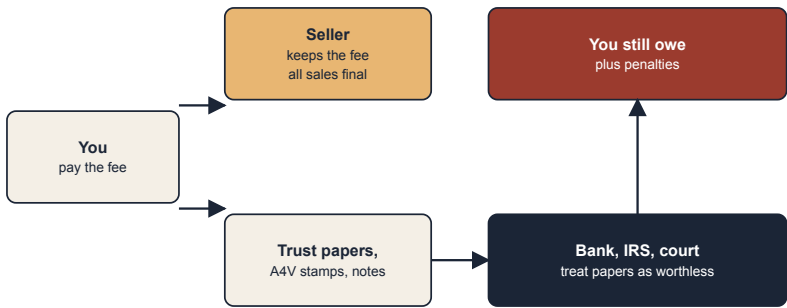
The seller, up front, and the record shows the prices have been in the thousands for 30 years. The chart pulls the prices from court opinions, Justice Department releases, and one seller's current page.



Prices paid for sham trust and sovereign paperwork

Product	Price	Record
Meredith pure trust	\$595	United States v. Meredith (9th Cir. 2012)
Online private trust course	\$2,497	Seller's sales page, accessed Oct. 2026
Scott shell trust	\$2,500 plus \$200 or more a year	United States v. Scott (10th Cir. 1994)
IFC pure trust	\$4,154 to \$10,500	DOJ release, Nov. 2008
Muhich trust packet	\$12,000	Muhich v. Commissioner (7th Cir. 2001)
Gonzalez sovereign paperwork	\$15,000 per property	DOJ release, Oct. 2015
Prescott trust package	Up to \$15,500	DOJ release, Apr. 2002

In the Tenth Circuit case, the trusts were marketed as a way to eliminate income tax “without losing control” of your money ([United States v. Scott](#), 1994). The pitch hasn’t moved in 30 years. Today’s course page says lawyers charge \$20,000 or more to create a trust and that a lawsuit filed against you is invalid unless there’s actual harm. The first claim is a sales line, and the second isn’t the law in any court we know of.



Where the money goes

Step	Who has the money
You pay \$950 to \$15,500 for the trust, course, or paperwork	The seller
You mail the papers to a bank, the IRS, or a court	Nobody; the papers have no value
The debt or tax stays due, often with penalties	You still owe it

Does “accepted for value” pay a bill?

No. Writing “accepted for value,” or A4V, on a bill and mailing it back, or sending a “bill of exchange” drawn on your strawman account, pays nothing. California’s Court of Appeal decided this in 2005. A couple tried to pay off a \$256,000 mortgage with a “Bonded Bill of Exchange Order” that used “acceptance for value” language. The court called it a worthless piece of paper, said their “tender” amounted to no tender at all, and affirmed judgment for the lender after the house was sold at foreclosure ([McElroy v. Chase Manhattan Mortgage Corp.](#), 2005).

The court also took notice that only \$7,238.24 was needed to reinstate the loan and stop the foreclosure, and the couple had months to pay it. They had been told the paper already paid the debt.

A Georgia bankruptcy court looked at a \$10 million “charge back” that read “I have accepted for value all related endorsements in accordance with U.C.C. 3-419 and HJR-192” and held that the bill of exchange had no legal effect ([In re Fachini](#), 2012). A Virginia federal judge called the same theory “clearly nonsense in almost every detail” and warned that people frequently end up in prison for pursuing these schemes ([Bryant v. Washington Mutual Bank](#), 2007). The Tax Court held that a \$5 million “Bonded Promissory Note” sent to the IRS paid nothing and fined the taxpayer \$15,000 for the argument ([Goff v. Commissioner](#), 2010).

Can a private trust take you out of the tax system?

No. The IRS’s published list of frivolous positions, Notice 2010-33, includes the straw man argument, “redemption” by drawing on a straw man account, and the claim that you can put all your assets into a trust to avoid income tax while keeping control of them ([IRS Notice 2010-33](#)).

Using one of those positions on a return or in a request to the IRS triggers a \$5,000 penalty under 26 U.S.C. § 6702, and arguing one in Tax Court can add a penalty of up to \$25,000 under § 6673. The IRS has ruled that the straw man argument “has no merit and is frivolous” ([Rev. Rul. 2005-21](#)) and that you can’t escape tax by attributing your income to a trust ([Rev. Rul. 2006-19](#)). Its trust guidance says income earned by one person can’t be assigned to another for federal income tax purposes ([IRS trust questions and answers](#)).

Courts treat these trusts as if they don’t exist. In [Muhich](#), a couple paid \$12,000 for a trust packet after listing their number one objective as “tax avoidance.” The Seventh Circuit said courts have uniformly held such transactions are a sham the IRS can disregard ([Muhich v. Commissioner](#), 2001). The Ninth Circuit affirmed fraud convictions for promoters of a “pure trust” they claimed was exempt from taxes ([United States v. Meredith](#), 2012).

In California, the 2002 Justice Department suit against a promoter in Solana Beach listed the warning signs: terms like “pure trust,” “constitutional trust,” and “sovereign trust” ([DOJ, 2002](#)). In 2011 a federal court in Los Angeles preliminarily barred two promoters after finding their “common-law trusts” were shams that caused substantial harm to the government ([DOJ, 2011](#)).

Does a private trust protect your house from creditors in California?

No. If you can revoke the trust, California Probate Code § 18200 says the trust property is subject to the claims of your creditors while you’re alive. If you’re the beneficiary of your own trust, § 15304(a) says a spendthrift clause is invalid against your creditors. A trust you set up for yourself and keep control of protects nothing from your own debts, whatever it’s called.

Real asset protection exists, and it’s narrower than the sellers say. We cover what works and what doesn’t in [asset protection in California](#) and [spendthrift trusts and creditor protection](#).

What makes a trust valid in California?

A trust needs a settlor who means to create one, property in it, and a lawful purpose. Probate Code § 15201 says a trust is created only if the settlor properly manifests an intention to create a trust, § 15202 requires trust property, and § 15203 says a trust may be created for any purpose that isn't illegal or against public policy. A trust whose purpose is dodging taxes and creditors is in trouble on that last point before anyone reads the rest.

One of the ways § 15200 lets you create a trust is a simple declaration that you hold your own property as trustee. That's how an ordinary revocable living trust works, and it's the honest version of what the sellers promise: you keep control, your family avoids probate, and the IRS treats it as you. The IRS says all revocable trusts are by definition grantor trusts.

Can you get in trouble for recording sovereign documents?

Yes. California Penal Code § 115 makes it a felony to knowingly offer a false or forged instrument for recording, and each document is a separate violation. Don't take comfort in a county recorder's stamp. Under Government Code § 27201 the recorder can't refuse a real property document on the basis of its lack of legal sufficiency, so a recorded "declaration of sovereignty" or trust transfer proves only that it met the recording format.

Federal law reaches the paper itself. Making or passing a fictitious obligation with intent to defraud is a class B felony under 18 U.S.C. § 514. Sentences in cases where people sold or used these documents have run from two years to more than ten.

Meredith, pure trusts (9th Cir. 2012)

121 mo

Hardin, bonded notes (W.D. Mo. 2012)

120 mo

Stephenson, trust packages (W.D. Wash. 2006)

96 mo

Kukhahn, trust packages (W.D. Wash. 2011)

84 mo

Poseley, pure trusts (D. Ariz. 2006)

84 mo

Gonzalez, sovereign paperwork (C.D. Cal. 2015)

70 mo

Hutson, fictitious instruments (D. Colo. 2018)

70 mo

Barber, \$10 million note (N.D. Ala. 2013)

24 mo

Sentences in sham trust and sovereign paperwork cases

Defendant	What they sold or used	Sentence	Record
Meredith	"Pure trusts" sold as tax-exempt	121 months	9th Cir. opinion, 2012
Hardin	"Bonded" promissory notes	10 years	DOJ release, Feb. 2012
Stephenson	Abusive trust packages	8 years	DOJ release, Nov. 2011
Kukhahn	Abusive trust packages	7 years	DOJ release, Nov. 2011
Poseley	"Pure trust organizations"	84 months	DOJ release, June 2006
Gonzalez	Sovereign citizen mortgage paperwork	70 months	DOJ release, Oct. 2015
Hutson	Fictitious financial instruments	70 months	DOJ release, May 2018
Barber	\$10 million "bonded promissory note"	2 years	DOJ release, Sept. 2013

The Whittier case is the one to remember if someone offers to save your house. About 400 homeowners in foreclosure each paid \$15,000 for "sovereign citizen" paperwork. In her plea agreement she admitted the process had never worked, and she hadn't told them that earlier clients had already lost their homes and been evicted ([DOJ, 2015](#)).

What does the private trust plan cost? A worked example

Take a hypothetical retired teacher who buys a \$2,497 private trust course, deeds her house to the new trust, and files two years of returns reporting no taxable income because the income “belongs to the trust.” The IRS disregards the trust, so her pension is still taxed to her. Each frivolous return can draw a \$5,000 penalty. If she argues the trust theory in Tax Court, the judge can add up to \$25,000.

Course and trust paperwork	\$2,497
§ 6702 penalties, 2 frivolous returns	\$10,000
Tax Court § 6673 penalty, maximum	\$25,000

Hypothetical cost of the private trust plan

Item	Amount	Basis
Course and trust paperwork	\$2,497	Price on a seller's page
Frivolous return penalty, 2 years	\$10,000	26 U.S.C. § 6702, \$5,000 each
Tax Court penalty for frivolous arguments	up to \$25,000	26 U.S.C. § 6673
Total before the tax, interest and other penalties	\$37,497	Sum of the rows above

That’s \$37,497 before she pays a dollar of the tax she owed, plus interest. She also has a deed in the county records naming a trust that may not hold up, which her family will have to sort out later.

What does a sovereign trust do to an estate plan?

It leaves a mess. The people who buy these trusts usually want what estate planning provides: control, privacy, and keeping the house out of probate. A sovereign trust delivers those things on paper only. When it fails, the property may be stuck in a document no bank or title company will accept, and the people you meant to protect inherit a cleanup job. If you’ve signed one of these, have an estate planning attorney look at your deeds and accounts before you add anything else. We also cover [what online trusts commonly leave out](#) and [creditor claims against a trust](#).

When is a trust a good idea?

Often. The IRS itself says there are legitimate uses of trusts in tax and estate planning, and that questionable trusts rarely deliver the tax benefits promised ([IRS, 2015 Dirty Dozen](#)). A revocable living trust avoids probate for property you put in it. Irrevocable trusts can do real work for estate tax, special needs, or a spendthrift child. None of them takes you out of the tax system or erases your own debts.

Sovereign or private trust pitch compared with a California revocable living trust

Question	Sovereign or "private express" trust pitch	California revocable living trust
Income tax	Promises you owe none	Taxed to you as a grantor trust
Creditors	Promises assets are untouchable	Reachable by your creditors (Prob. Code § 18200)
Probate	Promises to avoid it	Avoids it for property titled to the trust
Court treatment	Disregarded as a sham	Enforced under the Probate Code
Typical cost	\$950 to \$15,500, often no refunds	Attorney or document fee, with a lawyer accountable for the work
Risk	Penalties, foreclosure, criminal charges	Must be kept funded and current

What should you do instead?

- ✓ If you want to avoid probate, use a revocable living trust and fund it. See [does a living trust file a tax return](#) for how it's taxed.
- ✓ If you owe the IRS, ask about an installment agreement or offer in compromise through IRS.gov or a tax professional, not a trust.
- ✓ If you're behind on your mortgage, call the servicer about reinstatement and a HUD-approved housing counselor. In the California case above, reinstatement cost \$7,238.24.
- ✓ If you've already recorded sovereign or trust documents, talk to an attorney about cleaning up title before you sell, refinance, or die.
- ✓ If you want real creditor protection, start with the tools California recognizes, such as the homestead exemption, retirement accounts, insurance, and trusts set up by someone else for your benefit.

Frequently asked questions

Is a private express trust legal?

A trust is legal if it meets California's requirements: intent, property, and a lawful purpose (Prob. Code §§ 15201 to 15203). The label "private express trust" adds nothing. What fails is the promise attached to it, that the trust removes you from taxes, creditors, or courts. Courts disregard trusts used that way as shams.

Does writing "accepted for value" on a bill pay it?

No. Courts in California and elsewhere have held that A4V stamps and bills of exchange pay nothing. In the California case, the couple lost their house to foreclosure after trying to pay a \$256,000 mortgage that way.

What is the strawman account?

It doesn't exist. The IRS calls the idea of secret accounts assigned to each citizen pure fantasy, and Notice 2010-33 lists drawing on a straw man account as a frivolous position.

What is the penalty for filing a sovereign citizen tax return?

The IRS can charge \$5,000 for each frivolous return or submission under 26 U.S.C. § 6702. The Tax Court can add up to \$25,000 under § 6673 for frivolous arguments made there.

Can a trust protect my house from a lawsuit?

Not a trust you can revoke or that you set up for your own benefit. California law lets your creditors reach both (Prob. Code §§ 18200 and 15304). The [homestead exemption](#) protects some home equity, and that's a statute, not a trust.

I already paid for a sovereign trust. What now?

Stop filing anything based on it, keep copies of everything you signed and recorded, and have an attorney review your deeds, accounts, and tax filings. Some sellers say all sales are final, but a refund demand or a complaint to the California Attorney General is still worth making.

Related reading: [infinite banking](#), another "be your own bank" pitch, and [the birth certificate bond myth](#). If you want a plan that holds up, [talk to Ridley Law](#).

This page is general information about the law, not legal, tax, or investment advice for your situation. Talking to Ridley Law doesn't create an attorney-client relationship until we both sign an engagement letter.

More in the [money myths series](#).

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Questions about your own plan?

Ridley Law helps California families with trusts, wills, trust administration and probate from Port Hueneme, serving Ventura, Santa Barbara and Los Angeles counties. The first call is free and runs 30 minutes.

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