

IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF TENNESSEE

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	No. _____
)	
AHMED GRANT)	
Bartlett, TN)	
)	
and)	
)	
LILLIAN MADYUN)	
Bartlett, TN)	
)	
Defendants.)	

COMPLAINT

Plaintiff, the United States of America, alleges against Defendants, Ahmed Grant and Lillian Madyun, as follows:

1. This is a civil action brought by the United States under 26 U.S.C. §§ 7402(a), 7407, and 7408 to enjoin defendants Grant and Madyun from directly or indirectly:
 - (a) Acting as federal tax return preparers or requesting, assisting in, or directing the preparation or filing of federal tax returns, amended returns, or other related documents or forms for any person other than themselves;
 - (b) Advising, assisting, counseling, or instructing anyone about the preparation of a federal income tax return;
 - (c) Engaging in any other activity subject to penalty under 26 U.S.C. §§ 6694, 6695, 6700, 6701 or any other penalty provision in the Internal Revenue Code;

- (d) Representing, or appearing on behalf of, any person before the Internal Revenue Service; and
- (e) Otherwise engaging in any conduct that substantially interferes with the proper administration and enforcement of the Internal Revenue laws.

JURISDICTION AND VENUE

2. This action has been requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General, pursuant to the provisions of 26 U.S.C. §§ 7402(a), 7407, and 7408.

3. Jurisdiction exists under 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. § 7402(a).

4. Venue is proper in this Court under 28 U.S.C. §§ 1391(b)(1) and (b)(2), and 28 U.S.C. § 1396.

AHMED GRANT AND LILLIAN MADYUN

5. Ahmed Grant and Lillian Madyun are husband and wife, and reside at 6588 Altruria Court, Bartlett, Tennessee 38135, which is within this judicial district.

6. Grant and Madyun have operated a tax return preparation business under a number of names, including but not limited to Taxes-R-U's, MG Services LLC, Superfly Auto Sales, LLC, and SuperFast Taxes. All of these tax preparation businesses have their place(s) of business in Memphis, Tennessee 38127, which is within this judicial district.

SUMMARY OF GRANT AND MADYUN'S ACTIVITIES

7. IRS records show that Grant and Madyun, through their business(es) Taxes-R-Us, MG Services LLC, Superfly Auto Sales, LLC, and/or SuperFast Taxes, prepared approximately 700 returns for the 2009 tax year and over 570 returns for the 2010 tax year.

8. In addition to preparing tax returns themselves, Grant and Madyun employ numerous individuals who assist in the preparation of federal tax returns at Grant and Madyun's business locations in Memphis (their "return preparers").

9. Each year, Grant and Madyun arrange and administer tax return preparation training classes for their employees.

10. Grant and Madyun review every return prepared by their employees before transmittal to the Internal Revenue Service. Upon review of the returns, Grant and Madyun frequently change the clients' returns and/or instruct their return preparers to change clients' tax returns, resulting in higher refunds for clients.

11. Grant and Madyun, not their return preparers, transmit all tax returns prepared by their business(es) to the Internal Revenue Service.

12. Grant and Madyun, or their return preparers, fraudulently claimed education credits, including the American Opportunity Credit (AOC), to which their clients were clearly not entitled, without their clients' knowledge or consent.

13. Grant and Madyun, or their return preparers, also prepared false and fraudulent federal income tax returns for individuals by fabricating the income reported on the Schedule C Forms attached to their clients' returns (these forms list a taxpayer's profit and loss from a business), in order to claim false amounts of entitlement to the Earned Income Tax Credit (EITC) for their clients.

14. Grant and Madyun knew, or should have known, that the improper use of the Schedule C forms and credits such as the EITC and AOC, which led to an understatement of their customers' federal income tax liabilities, were due to unreasonable positions.

15. Grant and Madyun, through their return preparers, also ensured that their clients' refunds were deposited into their tax preparation business's bank account by placing their business's bank routing number and account number on their clients' tax returns, thus improperly directing the Internal Revenue Service to deposit their clients' tax refunds into their business's checking account.

16. Grant and Madyun continue to operate their tax return preparation business, currently under the name Taxes-R-Us, and market their business to new and former clients. Grant and Madyun are soliciting customers through the business's facebook page, encouraging customers to use Taxes-R-Us to prepare their 2012 federal income tax returns, and have advised their customers that Taxes-R-Us has two business locations open.

**DESCRIPTION OF GRANT AND MADYUN'S FRAUDULENT
RETURN PREPARATION SCHEMES**

17. Grant and Madyun have repeatedly and continually improperly claimed the American Opportunity Credit ("AOC") on their clients' returns to reduce their clients' tax liability or generate erroneous refunds for their clients. The AOC is a refundable credit, which means that it can generate a refund exceeding the amount of income tax paid by an individual taxpayer. The false or overstated AOC claims reported by the return preparers on their clients' returns generate corresponding decreases in tax liability or increases in refunds.

18. The AOC is a refundable credit of eligible education expenses incurred during the taxable year for students who are enrolled in an undergraduate degree program or pursuing an educational certificate. The AOC can provide \$2,500.00 in refundable credits to individuals who qualify, \$1,000 of which are refundable.

19. The following examples are illustrative of Grant and Madyun's fraudulent practices with respect to the AOC:

(a) They claimed the AOC for a client who subsequently informed the I.R.S. that he had not provided any information to the return preparer about being in school, that he was not in school the previous year, and that furthermore he could not even read or write, and that the information on his tax return was made up by the return preparer.

(b) They claimed the AOC for a client who, when interviewed, stated that he had not attended an undergraduate degree program in the previous year, and that when the client inquired with the return preparers about the higher refund, the return preparers told him that he qualified for an earned school tax credit that he would only be able to use once and that they were able to get him a higher refund than he had expected as a result.

20. They claimed the AOC for dozens of additional clients without seeking substantiation from clients and without their clients' knowledge.

21. Ninety percent of the claims for the AOC on Grant and Madyun's clients' returns were false.

22. Grant and Madyun have also repeatedly and continually improperly claimed a credit under section 32 of the Internal Revenue Code (26 U.S.C.), *i.e.*, the Earned Income Tax Credit ("EITC"), on their clients' returns to reduce their clients' tax liability or generate erroneous refunds for their clients. The EITC, like the AOC, is a refundable credit, which means that it can generate a refund exceeding the amount of income tax paid by an individual taxpayer. The false or overstated EITC claims reported by the return preparers on their clients' returns generate corresponding decreases in tax liability or increases in refunds.

23. The amount of the EITC that a taxpayer may claim increases in proportion to a taxpayer's wages or other earned income up to a certain dollar amount and then

levels off. As such, there is a “plateau” of earned income amounts that will result in the maximum possible EITC a taxpayer may claim. Because that “plateau” amount may be more than the income the taxpayer actually earned, a return falsely overstating income will, in certain circumstances, generate a larger refund.

24. Grant and Madyun inflate their clients’ EITC claims by reporting fraudulent income on a Schedule C (which lists a taxpayer’s profit or loss by a business).

25. The following examples are illustrative of Grant and Madyun’s fraudulent practices with respect to taxpayers’ Schedule C forms:

(a) They created Schedule C income for a client who reported \$14,775 in Schedule C income, but when interviewed, the client stated that she had not provided any documentation regarding a business to the return preparers, and that the amount of income reported on her Schedule C was false.

(b) They created \$16,707 of Schedule C income and maximized the EITC for a client who, when interviewed, stated that she did not tell the return preparers that she earned \$16,707 in income, but rather she reported to the return preparers that she only earned \$1,700 in income, and she further stated that she had no knowledge that the return preparers had reported \$16,707 of Schedule C income on her tax return.

(c) They created Schedule C gross receipts of \$12,850 for a client who, when interviewed, stated that she did not provide any specific figure of her estimated income to the return preparers and that no one discussed it with her, but that the return preparer coached her on what to put on the return.

(d) They created \$5,850 of Schedule C income for a client who informed the IRS that she was not self-employed for the tax year at issue and who stated that she did not tell the return preparers that she was self-employed.

**GRANT AND MADYUN'S SCHEME TO DEPOSIT CLIENTS' REFUNDS
INTO THEIR BUSINESS'S BANK ACCOUNT**

26. Grant and Madyun also repeatedly and continually improperly arranged for the deposit of their clients' tax refunds into their own business's bank account, thereby negotiating their clients' refund checks.

27. Grant and Madyun required their return preparers to place Grant and Madyun's business bank routing number and account number on their clients' tax returns. As a result, Grant and Madyun ensured that their clients' tax refunds were deposited into their tax preparation business's bank account.

28. The Internal Revenue Service has assessed \$281,000 in penalties against Grant and Madyun's business, M.G. Services, LLC d/b/a Superfast Taxes, pursuant to 562 violations of 26 U.S.C. § 6695(f), which prohibits return preparers like Grant and Madyun from negotiating their clients' refund checks.

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HARM TO UNITED STATES

29. Grant and Madyun have caused substantial revenue losses to the United States.

30. As of January 23, 2013, two hundred seventy-three IRS audits of Grant and Madyun's returns prepared for the 2010 tax year show an average tax deficiency of \$3,830.

31. Spread over the over the nearly 600 returns that Grant and Madyun prepared during the 2010 filing season, the IRS estimates the harm to the United States from the return preparers' misconduct is approximately \$2 million for just the 2010 tax year. Spread over the additional approximately 700 returns they prepared for the 2009 tax year, the estimated harm to the Government may be nearly \$5 million.

COUNT I

Injunction Under 26 U.S.C. § 7407 for Conduct Subject to Penalty Under 26 U.S.C. §§ 6694 and 6695

32. Plaintiff incorporates by reference the allegations in paragraphs 1 through 31.

33. Under 26 U.S.C. § 7407, Congress has authorized the United States to seek an injunction against any tax preparer who, among other things, has engaged in any conduct subject to penalty under §§ 6694 or 6695.

34. If a return preparer's conduct is continual and/or repeated and the court finds that a narrower injunction (i.e., prohibiting specific enumerated conduct) would

not be sufficient to prevent the preparer's interference with the proper administration of federal tax laws, the court may enjoin the person from acting as a return preparer.

35. Section 6694(a) of the Code penalizes a tax return preparer who prepares a return understating the taxpayer's liability due to an unreasonable position (one for which there is no substantial authority), and the preparer knew or should have known of the position.

36. Grant and Madyun have continually and repeatedly prepared and submitted federal tax returns that falsely state their clients' Schedule C income, thereby falsely maximizing the EITC, and returns that falsely claim education credits such as the AOC. The returns prepared by Madyun and Grant, or their agents, contain unrealistic, unreasonable, and frivolous positions with no basis in fact. Grant and Madyun have understated their clients' correct tax liabilities and have thus engaged in conduct subject to penalty under I.R.C. § 6694(a).

37. Section 6695(f) of the Code penalizes a tax return preparer who endorses or otherwise negotiates a check made in respect of the taxes imposed under the Code which is issued to a taxpayer.

38. Grant and Madyun have continually and repeatedly arranged for the deposit of their clients' refund checks from the I.R.S. into their own business's banking account. Grant and Madyun have thus engaged in conduct subject to penalty under I.R.C. § 6695(f).

39. Grant and Madyun continue to operate and market their tax return preparation business during the current tax filing season. Absent an injunction, Grant and Madyun are therefore likely to continue preparing federal tax returns for clients, enabling them to receive greater refunds than what they are legitimately entitled to, so injunctive relief is necessary to prevent Grant and Madyun's continued misconduct. Grant and Madyun are also likely to continue depositing their clients' refund checks into their own or their business's bank accounts if an injunction is not issued. Penalties and other administrative measures are insufficient to deter their conduct.

40. Grant and Madyun should be permanently enjoined under 26 U.S.C. § 7407 from acting as income tax preparers and/or assisting in the preparation of federal income tax returns because a more limited injunction would be insufficient to stop their interference with the proper administration of the tax laws.

COUNT II
Injunction Under 26 U.S.C. § 7408 for Conduct
Subject to Penalty Under 26 U.S.C. § 6701

41. Plaintiff incorporates by reference the allegations in paragraphs 1 through 40.

42. Section 7408 of the Code authorizes a district court to enjoin any person from engaging in conduct subject to penalty under 26 U.S.C. § 6701 if injunctive relief is appropriate to prevent recurrence of such conduct.

43. Section 6701(a) of the Code penalizes any person who aids or assists in, procures, or advises with respect to the preparation or presentation of a federal tax return, refund claim, or other document knowing (or having reason to believe) that it will be used in connection with any material matter arising under the internal revenue laws and knowing that if it is so used it will result in an understatement of another person's tax liability.

44. Grant and Madyun prepared tax returns claiming fraudulent Schedule C income and claiming the AOC for clients who were not legitimately entitled to receive the AOC, knowing that their return preparation would result in the clients' understating their federal tax liabilities.

45. If the Court does not enjoin Grant and Madyun, they are likely to continue to engage in penalty conduct under 26 U.S.C. § 6701. Injunctive relief is therefore appropriate under 26 U.S.C. § 7408.

COUNT III
Injunction Under 26 U.S.C § 7402(a)
Necessary to Enforce the Internal Revenue Laws

46. Plaintiff incorporates by reference the allegations in paragraphs 1 through 45.

47. Section 7402(a) of the Code authorizes a district court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

48. Grant and Madyun, through the actions described above, have engaged in conduct that substantially interferes with the enforcement of the internal revenue laws.

49. Unless enjoined, Grant and Madyun are likely to continue to engage in such improper conduct and interfere with the enforcement of the internal revenue laws. If Grant and Madyun are not enjoined from engaging in fraudulent and deceptive conduct, the United States will suffer irreparable injury by wrongfully issuing federal income tax refunds to individuals not entitled to receive them.

50. Enjoining Grant and Madyun is in the public interest because an injunction, backed by the Court's contempt powers if needed, will stop Grant and Madyun's illegal conduct and the harm it causes the United States and its citizens.

51. The Court should impose injunctive relief under 26 U.S.C. § 7402(a).

WHEREFORE, the United States of America prays for the following:

A. That the Court find that Grant and Madyun, through their various businesses, have continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 and 6695, and have continually and repeatedly engaged in other fraudulent or deceptive conduct that substantially interferes with the administration of the tax laws, and that a narrower injunction prohibiting only this specific misconduct would be insufficient;

B. That the Court, pursuant to 26 U.S.C. § 7407, enter a permanent injunction prohibiting Grant and Madyun from acting as a federal tax return preparers;

C. That the Court find that Grant and Madyun have engaged in conduct subject to a penalty under 26 U.S.C. § 6701, and that injunctive relief under 26 U.S.C. § 7408 is appropriate to prevent a recurrence of that conduct;

D. That the Court find that Grant and Madyun, and their businesses, have engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and 26 U.S.C. § 7402(a);

E. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter a permanent injunction prohibiting Grant and Madyun, and all those in active concert or participation with Grant and Madyun, from:

- (a) Acting as federal tax return preparers or requesting, assisting in, or directing the preparation or filing of federal tax returns, amended returns, or other related documents or forms for any person other than themselves;
- (b) Advising, assisting, counseling, or instructing anyone about the preparation of a federal income tax return;
- (c) Engaging in any other activity subject to penalty under 26 U.S.C. §§ 6694, 6695, 6700, 6701 or any other penalty provision in the Internal Revenue Code;
- (d) Representing, or appearing on behalf of, any person before the Internal Revenue Service; and
- (e) Otherwise engaging in any conduct that substantially interferes with the proper administration and enforcement of the Internal Revenue laws.

F. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter an order requiring Grant and Madyun to contact, within 30 days of the Court's order, by

United States mail and, if an e-mail address is known, by e-mail, all persons for whom they prepared, or assisted in preparing, federal tax returns to inform them of the permanent injunction entered against them;

G. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter an order requiring Grant and Madyun to produce to counsel for the United States, within 30 days of the Court's order, a list that identifies by name, social security number, address, e-mail address, and telephone number and tax period(s) all persons for whom they prepared, or assisted in preparing, federal tax returns;

H. That the Court retain jurisdiction over Grant and Madyun and over this action to enforce any permanent injunction entered against them;

I. That the United States be entitled to conduct discovery to monitor Grant and Madyun's compliance with the terms of any permanent injunction entered against them; and

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J. That the Court grant the United States such other and further relief, including costs, as is just and reasonable.

Dated: February 22, 2013

EDWARD L. STANTON, III
United States Attorney

KATHRYN KENEALLY
Assistant Attorney General, Tax Division

/s/ Claire H. Taylor
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