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17 IN THE UNITED STATES DISTRICT COURT FOR THE
18 CENTRAL DISTRICT OF CALIFORNIA
19 WESTERN DIVISION

20 UNITED STATES OF AMERICA,
21 Plaintiff,

22 v.

23 NYLA MCINTYRE, individually, and
24 APPROVED FINANCIAL SERVICES,
25 Inc.,
26 Defendants.

CV09 07017 GHK (ROX)

Civil No.

**Complaint for Permanent
Injunction and Other Relief**

27 Plaintiff, United States of America, for its complaint against Nyla
28 McIntyre, individually, and Approved Financial Services, Inc. ("defendants")
states as follows:

1. Jurisdiction is conferred on this Court by 28 U.S.C. § 1340 and 1345 and 26 U.S.C. §§ 7402(a), 7407, and 7408.

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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
LOS ANGELES

FILED

1 2. This suit is brought under §§ 7402, 7407, and 7408 of the Internal Revenue
2 Code (26 U.S.C.) (I.R.C.) to enjoin Nyla McIntyre and Approved Financial
3 Services, Inc., from the following activities:

4 (a) Preparing or filing, or assisting in, or directing the preparation or
5 filing of any federal tax return, amended return or other federal tax
6 documents or forms for any other person or entity;

7 (b) Directly or indirectly organizing, promoting, marketing, or selling
8 any plan or arrangement that advises or assists taxpayers to attempt
9 to violate internal revenue laws or unlawfully evade the assessment
10 or collection of their federal tax liabilities, including promoting,
11 selling, or advocating the use of false Forms 1099-OID based on the
12 false claims that:

13 i. Taxpayers can draw on the Treasury of the United States to
14 pay their tax debt or other debt using Forms 1099-OID or tax
15 returns;

16 ii. Taxpayers can issue false Forms 1099-OID on behalf of a
17 creditor and report on federal tax returns the amount on the
18 false Form 1099 as federal income taxes withheld on their
19 behalf; and

20 iii. Taxpayers have an account with the Treasury Department
21 from which they can draw funds through a process that is often
22 called “redemption” or “commercial redemption.”

23 (c) Engaging in conduct subject to penalty under 26 U.S.C. § 6700,
24 including organizing or selling a plan or arrangement and making or
25 furnishing a statement regarding the excludability of income or
26 securing any other tax benefit that defendants knows or have reason
27 to know is false or fraudulent as to any material matter;

28 (d) Engaging in conduct subject to penalty under 26 U.S.C. § 6701,

1 including preparing and filing tax returns and other documents that
2 understate the tax liabilities of others;

- 3 (e) Preparing their own federal income tax returns claiming income
4 withholding and refunds based on amounts shown in Forms 1099-
5 OID issued to their own creditors;
- 6 (f) Filing, providing forms for, or otherwise aiding and abetting the
7 filing of frivolous Forms 1040, 1040X, Forms 1099 for themselves
8 or others, including the notarization or signing of certificates of
9 service or similar documents in connection with the frivolous tax
10 returns;
- 11 (g) Representing anyone other than herself before the Internal Revenue
12 Service;
- 13 (h) Engaging in any other conduct that is subject to penalty under the
14 Internal Revenue Code or that interferes with the proper
15 administration and enforcement of the internal revenue laws.

- 16 3. This action has been requested by the Chief Counsel of the Internal
17 Revenue Service, a delegate of the Secretary of the Treasury, and
18 commenced at the direction of a delegate of the Attorney General under 26
19 U.S.C. §§ 7402, 7407, and 7408.

20 **Defendants**

- 21 4. Nyla McIntyre resides in Glendora, California, and does business in
22 Covina, California, in the Central District of California. Venue is thus
23 proper in this Court under 28 U.S.C. § 1391.
- 24 5. Nyla McIntyre is the owner and manager of defendant Approved Financial
25 Services, Inc., a corporation doing business in Covina, California.
- 26 6. Nyla McIntyre and her business, Approved Financial Services, Inc, prepare
27 tax returns for others in exchange for compensation. Since 2006,
28 defendants have prepared and filed at least 2,876 federal income tax returns

1 (and amended returns). In 2009 alone, defendants have prepared and/or
2 filed at least 757 federal income tax returns.

- 3 7. In 2008 and 2009, defendants prepared and/or filed fraudulent federal
4 income tax returns (IRS Form 1040) and amended federal income tax
5 returns (IRS Form 1040X) for tax years 2005, 2006, 2007, and 2008, and
6 prepared and/or filed with the IRS other frivolous documents on behalf of
7 others in exchange for compensation.

8 **The Defendants' Tax-Fraud Scheme**

- 9 8. Defendants promote a tax-fraud scheme that involves filing fraudulent
10 federal income tax returns and other frivolous documents with the IRS on
11 behalf of their customers.
- 12 9. Defendants fabricate federal income tax withholdings on tax returns they
13 prepare. The fabricated tax withholding reported to the IRS on their
14 customers' returns results in fraudulent refund claims by their customers in
15 amounts as large as \$2.7 million per customer.
- 16 10. In support of their fraudulent refund claims, defendants prepare and file
17 with the IRS false Forms 1099-OID and Forms Schedule B.
- 18 11. Other courts have recently enjoined tax return preparers for promoting the
19 very same tax schemes and for preparing the same type of bogus tax returns
20 and supporting documentation. *See, e.g., United States v. Teresa Marty, et*
21 *al.*, at: <http://www.usdoj.gov/opa/pr/2009/September/09-tax-937.html>; *see*
22 *also United States v. Kahn*, 2004 WL 1089116, *1 (March 30, 2004 M.D.
23 Fla.) (court held defendants in contempt of injunction that arose from
24 defendants' promotion of abusive tax schemes including "outlandish
25 mechanisms" such as using counterfeit bonds and checks to draw on
26 fictitious treasury accounts supposedly in their customers' name). Other
27 courts have condemned the tax scheme. *Ray v. Williams*, 2005 WL
28 697041, *5-6 (March 24, 2005 D. Or.) (in considering prison's bar on the

1 delivery of the book "Cracking the Code, Third Edition," held that book
2 contained fraudulent claim of "Redemptionists" that direct treasury account
3 exists that has a balance equal to the monetary value the government places
4 on the life of an individual); *Monroe v. Beard*, 2007 WL 2359833, *2
5 (Aug. 16, 2007 E.D. Pa.) (characterized Redemption as an "anti-
6 government scheme that utilizes commercial law to harass and terrorize its
7 targets").

- 8 12. The IRS issued a nationwide "problem alert" warning taxpayers about the
9 very same tax scheme that defendants are promoting in this case, on
10 October 10, 2008:

11 <http://www.irs.gov/newsroom/article/0,,id=98129,00.html>

- 12 13. IRS Forms 1099-OID are used to report Original Issue Discount (OID)
13 income (and any federal income tax withheld from that income). Original
14 issue discount income refers to the difference between the discounted price
15 at which a debt instrument is sold at issuance, and the stated redemption
16 price at maturity. OID is generally included in a taxpayer's income as it
17 accrues over the term of the debt instrument, whether or not the taxpayer
18 actually receives payments from the issuer of the debt instrument. OID is
19 treated like a payment of interest, and a party issuing a financial instrument
20 generating OID must issue a Form 1099-OID.

- 21 14. IRS Forms Schedule B are used to report interest and dividend income, and
22 are attached to IRS Forms 1040.

- 23 15. IRS Forms 1096 are used to transmit Forms 1099-OID (and other forms) to
24 the IRS.

- 25 16. The fraudulent Forms 1099-OID that defendants prepare and submit with
26 returns they prepare falsely state that their customers are "payees" who
27 receive OID income from their creditors or, on some forms, the customers
28 are both "payer" and "payee", purportedly having paid themselves OID

1 income.

- 2 17. The frivolous IRS Forms 1099-OID submitted with the returns that
3 defendants prepare typically show false OID income paid by a customer's
4 creditor – usually a credit card company or a mortgage company – to the
5 customer. As noted above, some of the bogus Forms 1099-OID defendants
6 prepare even show OID income paid by the customer, to the customer. The
7 amount of false “original issue discount” reported appears to be an amount
8 needed to satisfy an apparent debt (usually a mortgage, car loan, or credit
9 card debt) owed by the taxpayer to a creditor.
- 10 18. The Forms 1099-OID that defendants prepare and submit also falsely state
11 that federal income taxes were withheld for some or the full amount of OID
12 purportedly received by the customer.
- 13 19. Defendants prepare bogus tax returns reporting false income which equals
14 or approximates the total amount of the false “original issue discount,” and
15 claim false withholding on the customer's IRS Form 1040 (or 1040X). On
16 the returns, defendants claim huge false refunds, often exceeding \$200,000.
17 One of the returns defendants prepared for a customer in 2009 included a
18 fraudulent refund claim for \$2.7 million.
- 19 20. Consequently, defendants' customers fail to file correct federal income tax
20 returns (and amended returns) and falsely claim tax refunds to which they
21 are not entitled.
- 22 21. In some cases, defendants do not prepare IRS Forms 1099-OID and,
23 instead, just prepare and submit a false Form Schedule B reporting false
24 interest income from creditors and false withholding on line 62 of the
25 return.
- 26 22. The IRS Forms Schedule B that defendants prepare and file with their
27 customers' federal tax returns typically show the customer as the “payee”
28 of purported interest income paid to them by a creditor, and then a

1 corresponding bogus subtraction for "OID adjustment equity interest
2 recovery to principle."

- 3 23. The IRS Forms 1096-A that defendants prepare and file with the IRS also
4 falsely report federal income tax withheld.
- 5 24. Defendants fail to sign under penalty of perjury the IRS Forms 1096 they
6 prepare and submit to the IRS.
- 7 25. The apparent purpose of defendants' frivolous IRS Forms 1040, 1040X,
8 1099-OID, 1096-A, and Schedules B is to request fraudulent income tax
9 refunds. The scheme is based in part on McIntyre's apparent belief that
10 secret accounts exist that can be accessed to pay these bogus refund claims.
- 11
- 12 26. In reality, regardless what forms are used or what they say, the defendants'
13 scheme involves one central element. Defendants fraudulently report that
14 income tax was withheld from their customers and then claim refunds
15 based on those non-existent withholdings.

16 **Examples**

- 17 27. In 2009, defendants prepared and filed a 2006 Form 1040X amended
18 federal income tax return on behalf of Victor and Amanda Castorena, who
19 reside in La Quinta, California. On the return, defendants requested a
20 fraudulent refund of \$2,685,782, falsely claiming an income tax
21 withholding totaling \$2,704,847. To support these fraudulent claims,
22 defendants attached 13 bogus IRS Forms 1099-OID and a false Schedule
23 B.
- 24 28. In July of 2009, the defendants prepared a 2005 Form 1040X amended
25 federal income tax return for Chris and Celeste Chaney, who reside in Pine
26 Grove, California. On the Form 1040 attached to the Form 1040 X, the
27 defendants requested a fraudulent refund of \$1,124,542, and falsely
28 reported \$1,684,876 in taxable interest income, and \$1,684,205 in federal

1 withholding. The Form 1040 attached to the Form 1040X is not signed by
2 the taxpayers or defendants, but it purports to direct the IRS to the Form
3 1040X which absurdly reports that the Chaney's owe \$559,663 of income
4 tax for 2005. After defendants prepared these returns, McIntyre faxed them
5 to Mr. Chaney, who signed and mailed them to the IRS.

- 6 29. In 2008, the defendants prepared and filed a 2006 Form 1040X amended
7 federal income tax return for John and Kallya Georgiades. Defendants
8 claimed a fraudulent refund for \$807,460, reported \$0 in taxable interest
9 income, and \$807,500 in federal income tax withholding. In support of
10 these bogus claims, defendants prepared and attached 5 fraudulent IRS
11 Forms 1099-OID, 1096, and a Form Schedule B.

12 **Interview with the IRS**

- 13 30. As part of the IRS investigation in this case, on June 10, 2009, IRS
14 Revenue Agent David Gordon and IRS Senior Technical Advisor Shauna
15 Henline interviewed Nyla McIntyre to discuss the false federal income tax
16 returns she had been preparing based on Forms 1099-OID and Schedules
17 B.
- 18 31. During the interview, Nyla McIntyre admitted that she prepared federal
19 income tax returns making claims for refunds based on taxable interest
20 income reported on Forms 1099-OID. She claimed that the income tax
21 withholding amounts she reported on the forms and returns were created by
22 money purportedly sent to the Treasury Department by creditors of
23 taxpayers.
- 24 32. Stated differently, during the interview, McIntyre insisted that the federal
25 government has secret accounts of money that taxpayers can access, and
26 she claimed that the IRS does not want the public to know about the
27 alleged secret accounts and is trying to shut down the taxpayers' ability to
28 access the money in them. McIntyre explained that the money in the secret

1 Treasury accounts is actually withholding which comes from the creditors
2 of taxpayers. She also claimed that it is lawful for taxpayers to use IRS
3 Forms 1099-OID to access their withheld funds in the secret government
4 accounts by reporting any money that has passed through the taxpayers'
5 accounts, including credit card accounts, bank loans, and mortgages.

6 33. Revenue Agent Gordon and Technical Advisor Henline explained to
7 McIntyre that her Form 1099-OID scheme was unlawful and frivolous, but
8 she insisted that it was lawful.

9 34. McIntyre claimed that she was very knowledgeable in tax matters; to
10 educate herself she regularly studies IRS publications and regulations, has
11 previously held multiple jobs in accounting, and worked for a CPA for two
12 years. McIntyre also said she takes at least 20 hours of tax training to
13 maintain her California return preparer license. She claimed to hold real
14 estate and insurance broker licenses.

15 **Harm Caused by Defendants' Misconduct**

16 35. The IRS has identified at least 62 returns prepared and/or filed by the
17 defendants in 2008 and 2009 that request refunds based on the defendants'
18 fraudulent Forms 1099-OID and Schedules B. Many of the refund requests
19 on these fraudulent returns exceed \$200,000 and one return requests a
20 refund of \$2.7 million. The total amount of bogus refunds requested on
21 those 62 returns is approximately \$23 million.

22 36. As of September 21, 2009, defendants have prepared and filed at least 46
23 federal income tax returns (and amended returns) in 2009 alone, claiming
24 bogus refunds using their Form OID-1099 scheme.

25 37. Defendants' scheme is part of a growing trend among tax defiers to file
26 frivolous tax returns and Forms 1099-OID with the IRS and courts in an
27 attempt to escape their federal tax obligations and steal from the U.S.
28 Treasury.

- 1 38. In reliance on the defendants' services, their customers have failed to file
2 proper federal income tax returns, which has either deprived the customers
3 of proper tax refunds to which they may have been entitled, or deprived the
4 United States of additional tax revenue owed by their customers.
- 5 39. While the IRS is able to detect and stop most fraudulent refund claims, the
6 defendants' fraudulent tax return preparation has resulted in the IRS's
7 issuance of at least \$1.6 million in erroneous payments to their customers.
- 8 40. In addition to the lost revenue due to the issuance of erroneous refunds, the
9 government has also incurred the expense of conducting the investigation
10 of defendants' fraudulent return preparation and responding to and
11 processing the frivolous documents the defendants submitted to the IRS.
- 12 41. The false Forms 1099-OID and Forms Schedule B prepared and submitted
13 by the defendants may also result in the assessment of erroneous penalties
14 against the creditors identified in the forms for failing to timely or
15 accurately submit the forms to the IRS.

16 **Count I: Injunction Under 26 U.S.C. § 7407**

- 17 42. The United States incorporates by reference the allegations contained in
18 paragraphs 1 through 41.
- 19 43. Internal Revenue Code § 7407 authorizes the United States to seek an
20 injunction against any tax return preparer who has engaged in any
21 "fraudulent or deceptive conduct which substantially interferes with the
22 proper administration of the Internal Revenue laws," or who has "engaged
23 in any conduct subject to penalty under section 6694 or 6695."
- 24 44. If a return preparer's misconduct is continual or repeated and the court
25 finds that a narrower injunction (*i.e.* prohibiting specific enumerated
26 conduct) would not be sufficient to prevent the preparer's interference with
27 the proper administration of federal tax laws, the court may enjoin the
28 person from further acting as a return preparer.

1 45. Defendants have continually and repeatedly prepared and filed with the
2 IRS false and frivolous federal income tax returns (and amended returns)
3 on behalf of their customers.

4 46. As a result, defendants have repeatedly and continually engaged in
5 fraudulent or deceptive conduct which substantially interferes with the
6 proper administration of the Internal Revenue laws.

7 47. Defendants have repeatedly and continually prepared and filed federal tax
8 returns that understate their customers' tax liabilities as a result of
9 unreasonable and frivolous claims and, thus, have engaged in conduct
10 subject to penalty under 26 U.S.C. § 6694.

11 48. Defendants have repeatedly and continually prepared and filed federal
12 income tax returns (and amended returns) that understate their customers'
13 tax liabilities as a result of defendants' willful attempts to understate their
14 tax liabilities, and/or defendants' reckless and/or intentional disregard of
15 internal revenue laws and regulations.

16 49. Injunctive relief is appropriate to prevent this misconduct because, absent
17 an injunction, defendants are likely to continue to prepare and file false
18 federal income tax returns and engage in other misconduct of the type
19 described in this complaint. Defendants have prepared and filed bogus
20 returns seeking fraudulent refunds as recently as July 31, 2009.

21 50. Defendants have continually and repeatedly prepared returns that include
22 fraudulent refund claims.

23 51. Defendants should be permanently enjoined under 26 U.S.C. § 7407 from
24 acting as federal tax return preparers because a limited injunction would be
25 insufficient to stop them from interfering with the proper administration of
26 the tax laws.

1 **Count II: Injunction Under 26 U.S.C. § 7408 for Violation of 26 U.S.C. §§**
2 **6700 and 6701**

3 52. The United States incorporates by reference the allegations contained in
4 paragraphs 1 through 51.

5 53. I.R.C. § 7408 authorizes a district court to enjoin any person from, *inter*
6 *alia*, engaging in conduct subject to penalty under I.R.C. § 6700 or 6701 if
7 injunctive relief is appropriate to prevent recurrence of that conduct.

8 54. Section 6700 imposes a penalty on any person who organizes or
9 participates in the sale of a plan or arrangement and in so doing makes a
10 statement with respect to the allowability of any deduction or credit, the
11 excludability of any income, or the securing of any tax benefit by
12 participating in the plan or arrangement which that person knows or has
13 reason to know is false or fraudulent as to any material matter.

14 55. In 2008 and 2009, defendants organized and participated in the sale of a
15 plan or arrangement and, in doing so, made false and fraudulent statements
16 with respect to the tax benefits of participating in the plan or arrangement
17 which defendants knew or had reason to know were false.

18 56. Defendants falsely promised larger tax refunds from the government, which
19 defendants knew or had reason to know was predicated on the submission
20 of fraudulent documents to the IRS.

21 57. When defendants' customers asked McIntyre if the large bogus tax refund
22 claims she was submitting on their returns were lawful, McIntyre
23 repeatedly assured them that their returns were lawful, proper, and
24 accurate.

25 58. As a result, defendants engaged in conduct subject to penalty under 26
26 U.S.C. § 6700.

27 59. Section 6701 imposes a penalty on any person who aids or assists in,
28 procures, or advises with respect to, the preparation of any portion of a

1 return, affidavit, claim, or other document, who knows (or has reason to
2 believe) that such portion will be used in connection with any material
3 matter arising under the internal revenue laws, and who knows that such
4 portion (if so used) would result in an understatement of the liability for tax
5 of another person.

6 60. Defendants prepared and aided or assisted in the preparation and filing of
7 federal income tax returns and other documents that resulted in the
8 understatement of their customers' tax liabilities.

9 61. Defendants knew or had reason to believe that the fraudulent documents
10 they prepared and filed with the IRS – including bogus IRS Forms 1040,
11 Forms 1040X, Forms 1099-OID and Forms Schedule B – would drastically
12 understate their customers' federal income tax liabilities.

13 62. As a result, defendants have engaged in conduct subject to penalty under
14 26 U.S.C. § 6701.

15 63. McIntyre has shown no remorse for her actions and continues to assert that
16 her fraudulent tax returns are correct.

17 64. Injunctive relief is appropriate to prevent recurrence of defendants' penalty
18 conduct.

19 **Count III: Injunction Under 26 U.S.C. § 7402**

20 65. The United States incorporates by reference the allegations contained in
21 paragraphs 1 through 64.

22 66. I.R.C. § 7402(a) authorizes a court to issue injunctions as may be necessary
23 or appropriate for the enforcement of the internal revenue laws, even if the
24 United States has other remedies available for enforcing those laws.

25 67. Defendants substantially interfere with the enforcement of the internal
26 revenue laws by promoting their "redemption" or "commercial redemption"
27 tax-fraud scheme and filing frivolous federal tax returns and other
28 documents on behalf of their customers.

1 68. As a result of the defendants' misconduct, their customers fail to file proper
2 tax returns, erroneous refunds for hundreds of thousands of dollars have
3 been issued to their customers, and the customers are potentially liable for
4 substantial penalties.

5 69. Defendants' conduct causes irreparable harm to the United States and to
6 the public for which there is no adequate remedy at law.

7 70. Unless enjoined by this Court, the defendants will continue to promote and
8 administer this tax-fraud scheme.

9 71. The United States is entitled to injunctive relief under I.R.C. § 7402(a) to
10 prevent the recurrence of this misconduct.

11 WHEREFORE, Plaintiff, the United States of America, prays for the
12 following relief:

13 A. That the Court find that defendants Nyla McIntyre and Approved
14 Financial Services, Inc., have continually and repeatedly engaged in conduct
15 subject to penalty under 26 U.S.C. §§ 6694, 6695, 6700, and 6701, and that
16 injunctive relief is appropriate under 26 U.S.C. § 7402, 7407, and 7408 to bar
17 defendants from acting as tax return preparers, and from engaging in conduct
18 subject to penalty under 26 U.S.C. §§ 6700 and 6701;

19 B. That the Court find that defendants have engaged in conduct that
20 substantially interferes with the enforcement and administration of the internal
21 revenue laws, and that injunctive relief against defendants is appropriate to
22 prevent the recurrence of that misconduct pursuant to 26 U.S.C. §§ 7407 and
23 7402(a);

24 C. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a
25 permanent injunction permanently barring defendants from acting as federal tax
26 return preparers and from preparing or filing federal tax returns or forms for
27 others, from representing others before the IRS, and from advising anyone
28 concerning federal tax matters;

1 D. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a
2 permanent injunction prohibiting defendants Approved Financial Services, Inc.,
3 McIntyre, and her representatives, agents, servants, employees, attorneys,
4 independent contractors, anyone in active concert or participation with them,
5 from directly or indirectly;

- 6 (1) Preparing or filing, or assisting in, or directing the preparation
7 or filing of any federal income tax return, amended return, IRS
8 Form 1099-OID, IRS Form Schedule B, or any other related
9 documents or forms for any other person or entity;
- 10 (2) Engaging in activity subject to penalty under 26 U.S.C. §§
11 6694 or 6695;
- 12 (3) Engaging in any other activity subject to penalty under the
13 Internal Revenue Code; and
- 14 (4) Engaging in other conduct that substantially interferes with the
15 proper administration and enforcement of the internal revenue
16 laws;

17 E. That this Court, under 26 U.S.C. §§ 7402 and 7408, enter a
18 permanent injunction prohibiting, Approved Financial Services, Inc., McIntyre,
19 and her representatives, agents, servants, employees, and anyone in active concert
20 or participation with her, from directly or indirectly by means of false, deceptive,
21 or misleading commercial speech:

- 22 (1) Organizing or selling tax shelters, plans or arrangements that
23 advise or assist taxpayers to attempt to evade the assessment
24 or collection of such taxpayers' correct federal tax;
- 25 (2) Engaging in any other activity subject to penalty under 26
26 U.S.C. § 6700, including organizing or selling a plan or
27 arrangement and making a statement regarding the
28 excludability of income or securing of any other tax benefit by

1 participating in the plan that defendants know or have reason
2 to know is false or fraudulent as to any material matter;

3 (3) Engaging in any activity subject to penalty under 26 U.S.C. §
4 6701; and

5 (4) Directly or indirectly organizing, promoting, marketing, or
6 selling any plan or arrangement that advises or encourages
7 taxpayers to attempt to violate internal revenue laws or
8 unlawfully evade the assessment or collection of their federal
9 tax liabilities, including promoting, selling, or advocating the
10 use of the “commercial redemption” theory and false Forms
11 1099-OID based on the false claims that:

12 i. Taxpayers can draw on the Treasury of the United
13 States to pay their tax debt or other debt using Forms
14 1099-OID or tax returns;

15 ii. Taxpayers can issue false Forms 1099-OID on behalf of
16 a creditor and report the amount on the false Form 1099
17 as federal income taxes withheld on their behalf; and

18 iii. Taxpayers have an account with the Treasury
19 Department from which they can draw funds through a
20 process that is often called “redemption” or
21 “commercial redemption.”

22 F. That this Court under 26 U.S.C. § 7402, enter a permanent injunction
23 prohibiting defendants from preparing their own federal income tax returns
24 claiming false income tax withholding and refunds, whether or not they are based
25 on amounts shown in false Forms 1099-OID issued to her creditors and false
26 Forms Schedule B;

27 G. That this Court under 26 U.S.C. § 7402, enter a permanent injunction
28 prohibiting defendants from filing, providing forms for, or otherwise aiding and

1 abetting the filing of frivolous Forms 1040, Forms 1040X, Forms 1099-OID, and
2 Schedules B for themselves or others;

3 H. That this Court, under 26 U.S.C. § 7402, enter an injunction
4 requiring defendants to contact by mail (and also by e-mail, if an address is
5 known) all persons who have purchased any products, services or advice
6 associated with the false or fraudulent tax scheme described in this complaint,
7 enclosing a copy of the permanent injunction against defendants;

8 J. That this Court, under 26 U.S.C. § 7402, order defendants to provide
9 to counsel for the United States a list of all persons for whom they have prepared
10 federal tax returns, and who have purchased any products, services or advice from
11 defendants in the past three years;

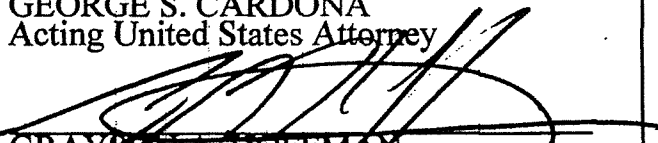
12 K. That this Court allow the government full post-judgment discovery
13 to monitor defendants' compliance with the injunction; and

14 L. That this Court grant the United States such other and further relief
15 as the Court deems just and appropriate.

16
17 Date: September 25, 2009

18 Respectfully submitted,

19
20 GEORGE S. CARDONA
Acting United States Attorney

21
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