

IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF MISSISSIPPI

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.)
)
 HAZEL M. HARRIS,)
 a/k/a Hazel Buckley,)
)
 Defendant.)

Case No. 3:08cv144HTW/LRA

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

The plaintiff, the United States of America, alleges against defendant Hazel M. Harris ("Harris"), a/k/a Hazel Buckley, as follows:

1. This is a civil action brought by the United States under Sections 7402, 7407, and 7408 of the Internal Revenue Code (26 U.S.C.) ("IRC") to enjoin defendant Hazel Harris, and anyone in active concert or participation with her, from:

- a. acting as a federal tax return preparer or requesting, assisting in, or directing the preparation or filing of federal tax returns or other forms/documents for any person or entity other than herself, or appearing as a representative on behalf of any person or organization whose tax liabilities are under examination or investigation by the Internal Revenue Service;
- b. preparing or filing, or assisting in the preparation or filing of tax returns or other forms/documents for others that defendant knows will result in the understatement of any tax liability;
- c. understating customers' tax liabilities as subject to penalty under IRC § 6694;
- d. instructing or advising taxpayers to understate their federal tax liabilities;
- e. engaging in any other activity subject to penalty under IRC § 6694;

- f. engaging in any activity subject to penalty under IRC § 6695; and
- g. engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

Jurisdiction

2. This action is 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 of the United States, pursuant to the provisions of IRC §§ 7401 and 7407.

3. Jurisdiction is conferred on this Court by Sections 1340 and 1345 of Title 28, United States Code, and IRC §§ 7402(a) and 7407.

4. Venue is proper in this Court under 28 U.S.C. § 1391(b)(1) because the defendant resides or conducts business within this judicial district, and a substantial part of the actions giving rise to this suit took place and are taking place in this district.

Defendant

5. Defendant Hazel Harris resides in New Hebron, Mississippi, within this judicial district, and does business as "Hazel Harris" and "Hazel Buckley." Harris has been preparing and filing federal income tax returns since 2001. Harris, a cosmetologist and former factory worker, falsely claims that she is an accountant. She has no tax training or tax-related education.

Defendant's Activities

6. Harris is a tax return preparer who has prepared over 8,000 federal income tax returns for others since 2001. Harris prepares customers' returns for multiple years at one time, regardless of whether a return has already been filed for those years.

7. Although tax preparers are required by law to sign returns they prepare for customers, Harris does not sign the returns she prepares for customers. Instead, she gives the completed returns to her customers and instructs them to sign and mail them to the IRS. Although required by law to do so, Harris also fails to provide her taxpayer identification number on the returns she prepares for her customers.

8. Harris typically charges customers \$20.00 per return.

9. Harris targets elderly people who receive social security benefits, telling them she is an accountant who specializes in refunds for people receiving social security. To expand her customer base, Harris tells potential customers to contact her current customers who have received refunds as a result of her fraudulent return preparation.

10. On the returns Harris prepares, she understates the taxable amounts of her customers' social security benefits and fabricates amounts of tax purportedly withheld from those benefits. Specifically, Harris instructs her customers to request their social security benefit statements for prior years from the Social Security Administration. She then determines how much they received in social security benefits, and falsely reports on the customers' return only one-half of the benefits received as taxable income. Next, she uses the tax table to determine the amount of tax due on the fraudulently reduced social security amount she reports, and falsely reports that same amount as tax withheld. Harris then claims the standard deduction for her customers, and claims a refund for the false withholding amount reported.

11. Harris used this scheme to prepare three income tax returns for an undercover IRS special agent. Posing as a customer, the undercover agent gave Harris a statement showing disability income with no tax withheld. Harris prepared three returns for the agent for tax years

2001, 2002, and 2003, claiming social security disability benefits as the only income on the returns, fabricated the amount of tax withheld, and improperly claimed refunds equal to the fabricated withholding amounts.

12. Harris's customers usually have no tax withheld from their social security income. Nevertheless, Harris claims false withholding to obtain improper refunds for her customers.

13. Harris claims refunds on all returns she prepares.

14. Harris tells many of her customers they are entitled to refunds, even though she knows they are not.

15. Harris has reason to believe that her conduct, as described above, is illegal. Harris is aware that she is the subject of an IRS investigation; she was interviewed by the IRS in March 2005. Despite this knowledge, however, Harris continues to prepare returns in the same fraudulent manner.

Harm to the Public

16. Harris customers have been harmed because they paid her fees to prepare tax returns that understate their federal tax liabilities, thereby subjecting them to interest and possible penalties.

17. The United States is harmed because Harris's customers are not reporting their correct tax liabilities and are receiving refunds to which they are not entitled. The IRS estimates that Harris has claimed at least \$3,500,000 in fraudulent refunds.

18. The United States is further harmed because the IRS must devote its limited resources to identifying and recovering those lost tax revenues from Harris's customers. Moreover, given the IRS's limited resources, identifying and recovering all revenues lost from

Harris's preparation of false and fraudulent returns may be impossible.

19. Harris's activities undermine public confidence in the fairness of the federal tax system and encourage noncompliance with the internal revenue laws.

Count I

Injunction Under IRC § 7407

20. The United States incorporates by reference the allegations in paragraphs 1 through 19.

21. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin an income tax return preparer from:

- a. engaging in conduct subject to penalty under IRC § 6694;
- b. engaging in conduct subject to penalty under IRC § 6695;
- c. misrepresenting his or her experience or education as a tax return preparer;
- d. guaranteeing a tax refund or allowance of a tax credit; or
- e. engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws,

if the court finds that the preparer has engaged in such conduct and injunctive relief is appropriate to prevent recurrence of the conduct. Additionally, if the court finds that a preparer has continually or repeatedly engaged in such conduct, and the court finds that a narrower injunction (*i.e.*, prohibiting only that specific enumerated conduct) would not be sufficient to prevent that person's interference with the proper administration of the internal revenue laws, the court may enjoin the person from acting as a federal income tax return preparer.

22. Harris has continually and repeatedly prepared federal income tax returns that claim

fraudulent refunds. In doing so, Harris fraudulently understated her customers' social security benefits, fabricated taxes withheld from her customers' social security income, and asserted positions that she knew or reasonably should have known were unrealistic and frivolous under IRC § 6694.

23. Harris has continually and repeatedly failed to sign returns she prepared and is thereby subject to penalty under IRC § 6695(b).

24. Harris has continually and repeatedly failed to furnish her taxpayer identification number on returns she prepared and is thereby subject to penalty under IRC § 6695(c).

25. Harris has continually and repeatedly misrepresented her experience or education as a tax return preparer. She holds herself out as an accountant specializing in social security benefits and refunds. Thus, she is subject to penalty under IRC § 7407(c).

26. Harris also engaged in fraudulent or deceptive conduct under IRC § 7407(b)(1)(D) by:

- a. preparing federal income tax returns without signing as the paid preparer;
- b. preparing federal income tax returns without providing her taxpayer identification number;
- c. telling her customers they are entitled to refunds when she knew they were not;
- d. telling customers who did not receive refunds that, if they keep filing returns for those years, then they should eventually receive refunds for those years;
- e. fabricating amounts of taxes withheld from their social security income;

- f. overstating her customers' social security withholding;
- g. claiming to be an accountant; and
- h. fraudulently claiming refunds for her customers based on false information she reported on her customers' returns.

27. Harris's actions, as detailed above, fall within IRC § 7407(b)(1)(A), (B), and (D), and thus are subject to injunction under IRC § 7407.

28. Because of her repeated and continual misconduct subject to injunction under IRC § 7407, Harris should be enjoined from acting as a federal income tax preparer.

Count II

Injunction Under IRC § 7408

29. The United States incorporates by reference the allegations in paragraphs 1 through 28.

30. Section 7408 of the Internal Revenue Code authorizes courts to enjoin specific conduct subject to penalty under §§ 6700 and 6701. Section 6701(a), in part, penalizes individuals who prepare, procure, or assist in the preparation of tax returns they know will result in an understatement of another person's tax liability if filed with the IRS.

31. Harris, through her actions detailed above, has prepared, procured, and assisted in the preparation of tax returns that she knew would result in the understatement of her customers' tax liability. Harris knowingly and willfully prepared federal income tax returns based on false information to understate her customers' tax liability and generate fraudulent refunds.

32. Harris engaged in conduct subject to penalty under IRC § 6701 and therefore should be enjoined under IRC § 7408.

Count III

**Injunction Under IRC § 7402(a) for Unlawful
Interference with the Enforcement of the Internal Revenue Laws**

33. The United States incorporates by reference the allegations in paragraphs 1 through 32.

34. Section 7402 of the Internal Revenue Code authorizes a court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

35. Harris, through her actions detailed above, has engaged in conduct that substantially interferes with the enforcement of the internal revenue laws.

36. The federal income tax returns Harris prepares for her customers fraudulently reduce their reportable income by understating social security benefits, fabricating taxes withheld from social security income, and requesting fraudulent refunds.

37. If Harris is not enjoined from engaging in this fraudulent and deceptive conduct, such as preparing false or fraudulent tax returns, the United States will suffer irreparable injury because the revenue losses caused by Harris will continue to increase.

38. The public interest will be advanced if the Court enjoins Harris because an injunction will stop her illegal conduct and the harm that the conduct is causing to the United States.

39. If Harris is not enjoined, she is likely to continue to interfere with the enforcement of the internal revenue laws. Harris knows that she is the subject of an IRS investigation, and she has been interviewed by IRS agents, but she continues to prepare returns in the same fraudulent manner.

WHEREFORE, the plaintiff, the United States of America, prays as follows:

A. That the Court find that Harris continually and repeatedly engaged in conduct subject to penalty under IRC §§ 6694 and 6695, and that injunctive relief under IRC § 7407 is therefore necessary and appropriate to prevent the recurrence of that conduct;

B. That the Court, pursuant to IRC § 7407, enter a permanent injunction prohibiting Harris from acting as a federal income tax return preparer;

C. That the Court find that Harris engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief is therefore necessary and appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and IRC § 7402(a);

D. That the Court, pursuant to IRC § 7402(a), enter a permanent injunction prohibiting Harris from:

- a. acting as a federal tax return preparer or requesting, assisting in, or directing the preparation or filing of federal tax returns or other forms/documents for any person or entity other than herself, or appearing as a representative on behalf of any person or organization whose tax liabilities are under examination or investigation by the Internal Revenue Service;
- b. preparing or filing, or assisting in the preparation or filing of tax returns for others that defendant knows will result in the understatement of any tax liability;
- c. understating customers' tax liabilities as subject to penalty under IRC § 6694;
- d. instructing or advising taxpayers to understate their federal tax liabilities;
- e. engaging in any other activity subject to penalty under IRC § 6694;
- f. engaging in any activity subject to penalty under IRC § 6695;

E. That the Court find that Harris engaged in conduct subject to penalty under § 6701, and that injunctive relief under IRC § 7408 is therefore necessary and appropriate to prevent the recurrence of such conduct;

F. That the Court, pursuant to IRC §§ 7402(a) and 7407, enter an injunction requiring Harris to contact by mail all persons for whom she prepared a federal tax return since January 1, 2002, and inform them of the Court's findings concerning the falsity or fraudulent attributes of those tax returns, and enclose a copy of the permanent injunction against Harris;

G. That the Court, pursuant to IRC §§ 7402(a) and 7407, enter an injunction requiring Harris to produce to counsel for the United States, within eleven days of the entry of an injunction against her, a list that identifies by name, social security number, address, email, telephone number, and tax period(s) all persons for whom Harris prepared federal tax returns or claimed a tax refund since January 1, 2004;

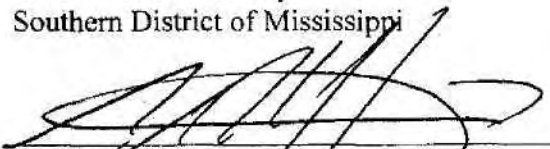
H. That the Court retain jurisdiction over the defendant, Hazel Harris, and this action for the purpose of enforcing any permanent injunction entered against defendant;

I. That the United States be entitled to conduct all discovery permitted under the Federal Rules of Civil Procedure for the purpose of monitoring defendant's compliance with the terms of any permanent injunction entered against her; and

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

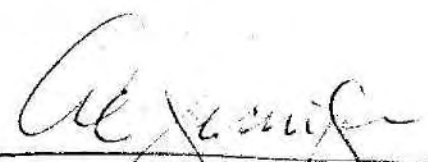
Dated this 6th day of March, 2008.

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