

IN THE UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF FLORIDA
FORT LAUDERDALE DIVISION

UNITED STATES OF AMERICA)	
)	
Plaintiff,)	
)	
v.)	Civil No. 0:12-cv-60683
)	
)	
JAYVON COPELAND, KISHA ANDREWS,)	
JAMES DANIELS, AUNDREA LUC,)	
BRANDON JOHNSON, LUC TAXES, INC.;)	
4350 SHERIDAN LLC;)	
IMPERIAL TAX SERVICES LLC;)	
TAX SPECIALIST LLC;)	
TAX SPECIALIST O2, INC.;)	
TAXES IN MIAMI GARDENS LLC;)	
CREDIT & TAX SPECIALIST LLC; and)	
TAXOLOGIST, INC.,)	
)	
Defendants)	

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

Plaintiff, the United States of America, brings this complaint against Jayvon Copeland, Kisha Andrews, James Daniels, Aundrea Luc, Brandon Johnson (“Individual Defendants”), Luc Taxes, Inc.; 4350 Sheridan LLC; Tax Specialist LLC; Tax Specialist 02, Inc.; Taxologist, Inc.; Imperial Tax Services LLC; Taxes in Miami Gardens LLC; and Credit & Tax Specialist LLC (collectively “Defendants”), and states as follows:

1. From at least 2008 to the present, the defendants have prepared and filed thousands of fraudulent federal income tax returns for others in which they knowingly understate their customers’ federal tax liabilities in order to fraudulently maximize their customers’ tax refunds, from which defendants directly extract their exorbitant tax preparation fees. Their

fraudulent tax return preparation includes: (1) preparing false claims for the First Time Homebuyer Credit (FTHBC), (2) creating fraudulent IRS Schedule Cs for phony businesses, (3) claiming bogus deductions, (4) claiming false education expenses to improperly qualify for refundable education credits, (5) falsifying W-2 Forms, (6) fabricating income or withholdings to increase a customer's Earned Income Tax Credit ("EITC"), and (7) filing fraudulent returns for people without their knowledge in order to enable defendants to keep their tax refunds.

2. The Defendants have engaged in this pervasive fraud to maximize the federal income tax refunds their customers receive so defendants, in turn, can maximize their own preparation fees, which are paid directly from the refund checks issued to their customers. Based on the inflated refunds the defendants gin up, they charge exorbitant and unconscionable fees for their services. In some instances, the defendants have charged over \$5000 for preparing basic, albeit fraudulent, tax returns. To put this number in context, the National Society of Accountants has found that the national average preparation fee for a non-itemized federal and state tax return is \$128. It is \$233 for returns with itemized deductions. The defendants routinely charge many multiples over this average, all for preparing inaccurate, and even fraudulent, returns.

3. The Defendants ensure payment of their unconscionably high fees by using one of two bank products: (1) a refund anticipation loan ("RAL") or (2) a refund transfer. In both cases, a bank loans the taxpayer money based on the taxpayer's federal tax refund or expected refund. The IRS then issues the taxpayer's refund check to the bank. Upon receipt of the check, the bank directly pays the tax preparation fees, which are subtracted from the tax refund, to the preparer's bank account and issues a check for the balance of the refund to the taxpayer.

Although taxpayers must apply for either of these bank products, the defendants' customers are sometimes unaware that they have applied for a bank loan. Defendants exploit these products in order to collect their exorbitant fees directly from the tax refunds they create through their fraudulent preparation of tax returns.

4. In order to collect even more undeserved fees, the defendants have filed fraudulent returns on behalf of people without their knowledge. For instance, in 2009, Copeland prepared and filed tax returns for incarcerated people without their knowledge. In one instance in 2009, he claimed the maximum FTHBC and an education credit for an individual who began serving a life sentence in 2002. Though the IRS issued a refund check for this inmate based on the bogus return, he never received the check. Copeland or one of his associates cashed the refund check.

5. To prevent the IRS from detecting their fraud and tracing it back to them, the individual defendants have directly or indirectly set up, operated, and controlled a vast web of tax preparation entities. These entities include Tax Specialist LLC; Luc Taxes Inc.; Tax Specialist 02 Inc.; 4350 Sheridan LLC; Tax Express LLC; Taxes in Miramar LLC; Taxes in Miami Gardens LLC; Imperial Tax Service LLC; Miami Gardens Tax Center LLC; Tax Masters of Miami Gardens; Credit & Tax Specialists LLC and Taxologists, Inc. To confuse the IRS and interfere with the administration of taxes, the defendants intentionally and illegally jumble identification numbers for each of these entities as well as for the tax return preparers working there. Defendants know that using the correct identification numbers would allow the IRS to monitor, and hold accountable, those preparing tax returns for others.

6. Every business must have its own separate IRS Employer Identification Number

(“EIN”). In addition, each entity must have at least one employee at each location with an Electronic Filing Identification Number (“EFIN”) which authorizes that individual, or anyone at that location to whom the individual may delegate the use of the EFIN, to file an electronic tax return. For each electronically filed return, the preparer must also include his or her name and an identification number, either a social security number (“SSN”) or an IRS-issued preparer identification number (“PTIN”).

7. Defendants repeatedly mismatch the entity names, EINs, EFINS, preparer names, and SSNs to mask who is responsible for the fraudulent returns they file. For example, in 2009, Luc Taxes—a company created by Luc and Daniels—prepared over 5000 returns, 99% of which claimed refunds. None of these returns included Luc Taxes’ EIN. Instead, some contained the EIN for Tax Specialists 02, Inc.—a company created by Copeland and Andrews—while the remainder contained a fictitious EIN. Moreover, thousands of those returns show Copeland as the return preparer, but they match his name with the SSN of an individual who died in the 1970s. Other returns, in violation of federal law, do not even identify a particular return preparer, but state that the return was prepared by “Word of Mouth,” “Tax Specialist,” or “Tax.”

8. Despite the defendants’ efforts at obfuscation, the IRS has been able to identify numerous fraudulent returns prepared by the defendants from 2008 to the present. Accordingly, the United States brings this suit to permanently bar defendants from acting as tax return preparers, which is the only way to prevent such egregious violations of the law in the future.

Jurisdiction and Venue

9. The Court has jurisdiction over this case pursuant to 28 U.S.C. §§ 1340 and 1345, and 26 U.S.C. (I.R.C.) §§ 7402(a), 7407 and 7408.

10. Venue is proper pursuant to 28 U.S.C. §§ 1391(b), because defendants reside or conduct business within this judicial district, and because a substantial part of the events or omissions giving rise to this suit occurred and are taking place in this judicial district.

Authorization

11. 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 I.R.C. §§ 7401, 7402, 7407 and 7408.

Nature of Action

12. The United States commences this action to bar defendants from acting as tax return preparers and to stop defendants from engaging in and facilitating extensive and pervasive tax-fraud schemes. Specifically, the government seeks to enjoin defendants, and anyone in active concert or participation with them, from directly or indirectly:

- (a) Preparing federal tax returns, amended returns, or other tax-related documents and forms for any entity or person other than themselves;
- (b) Aiding and/or assisting in the preparation of federal tax returns or tax-related documents and forms for any entity or person other than themselves;
- (c) Preparing or assisting in the preparation of federal tax returns that will result in the understatement of any tax liability or the overstatement of federal tax refunds;
- (d) Representing any taxpayers before the Internal Revenue Service;
- (e) Engaging in any conduct subject to penalty under 26 U.S.C. §§ 6694, 6695, or 6701; or
- (f) Engaging in fraudulent or deceptive conduct, including the conduct described in this complaint, that substantially interferes with the proper administration and enforcement of the internal revenue laws.

Defendants

(A) *Jayvon Copeland*

13. Copeland resides in Broward and Miami-Dade Counties, within this Court's jurisdiction.

14. Copeland has been preparing tax returns and assisting in tax return preparation for others since at least 2007.

15. Copeland has been convicted of grand theft (Fla. Stat. § 812.014(1) 2, c), making false financial statements (Fl. Stat. § 817.03), fraudulent use of credit cards (Fla. Stat. § 817.61), criminal use of personal identification information (Fla. Stat. § 817.568), forgery (Fla. Stat. § 831.01), and unauthorized possession or use of a driver's license (Fla. Stat. § 322.212).

16. Though Copeland prepares tax returns for others for a living, he does not file his own. Indeed, in violation of federal law, he has not filed his own federal tax returns since 2007.

17. In October of 2006, Copeland formed Tax Specialist LLC. From October of 2006 through September of 2008, he was the manager of Tax Specialist.

18. Tax Specialist never obtained an EIN. Nevertheless, Copeland, or someone acting on his behalf, filed over 1700 federal income tax returns in 2007 and 2008 identifying "Tax Specialist" as the paid preparer. All of these returns used a fraudulently obtained social security number that does not belong to Copeland to identify the tax return preparer. A refund was claimed on 98% of these returns. Tax Specialist dissolved in 2008.

19. Copeland is personally listed as the paid preparer on over 7000 federal income tax returns for 2007, 2008 and 2009. Every one of these returns, however, contains a false social security number to identify the paid preparer. A refund was claimed on 99% of these returns.

20. In October of 2007, Copeland and Andrews formed Tax Specialist 02, Inc. Copeland was the vice president.

21. From 2008 through 2010, Copeland, or others acting on his behalf, filed over 5000 federal income tax returns using an EIN obtained by Tax Specialist 02. In violation of federal law, Copeland, or others acting on his behalf, improperly identified Luc Taxes as the firm that prepared the returns, even though the returns used the EIN for Tax Specialist 02. Of the returns filed for 2007 and 2008 using that EIN, a refund was claimed 99% of the time. A refund was claimed on 90% of the returns filed for 2009. The company dissolved in 2010.

22. Copeland co-founded Taxologist, Inc. in October of 2010. He is the vice president. Taxologist, Inc. is located at 4350 Sheridan Street, Hollywood, Fla., within this Court's jurisdiction. Though it has been assigned an EIN, Taxologist has not filed any tax returns to date using that EIN. Copeland maintains this company as a shell solely to have another entity available with which he can file taxes in the event others are shut down or draw too much IRS scrutiny.

23. Copeland currently manages Taxes in Miami Gardens, LLC, which was founded in January of 2011. Its principal place of business is 5636 W 167th St., Miami, Fla., within this Court's jurisdiction. Taxes in Miami Gardens filed over 150 federal income tax returns in 2011, claiming a refund on every one of those returns.

(B) *Kisha Andrews*

24. Andrews resides in Broward and Miami-Dade Counties, within this Court's jurisdiction.

25. Andrews has an accounting degree from Florida International University.

26. Andrews and Copeland founded Tax Specialist 02 in October of 2007. Andrews was president of the company until it dissolved in 2010. Between 2008 and 2010, over 5000 federal income tax returns were filed using an EIN belonging to Tax Specialist 02. Nevertheless, many of these returns identified Luc Taxes as the firm that prepared the returns. Of the returns filed in 2008 and 2009, a refund was claimed 99% of the time. A refund was claimed on 90% of the returns filed in 2010.

27. In June of 2009, Andrews co-founded 4350 Sheridan LLC with Christopher Daniels, defendant James Daniels' son and defendant Copeland's half brother. She is a managing member of the company.

28. In 2010, 4350 Sheridan filed 404 federal income tax returns using its EIN. A refund was claimed on 100% of those returns.

29. In addition, that same year, 4350 Sheridan filed over 3000 returns using either fake EINs or EINs belonging to other entities. It filed over 1000 more tax returns in which it identified the paid preparer as "Word of Mouth" and listed a fake social security number for the paid preparer.

30. In 2009, Andrews prepared and physically signed 39 amended 2008 federal income tax returns in which she fraudulently claimed a FTHBC. Of those returns, 29 of them listed the social security number of a dead person as the social security number of the paid preparer.

31. In 2008, Andrews founded Credit & Tax Specialists LLC. Its principal place of business, according to its articles of organization, is 4425 SW 160th Ave., Miramar, Fla. 33027. Though it has been assigned an EIN, Credit & Tax Specialists LLC has not filed any tax returns

to date using that EIN. Andrews maintains this company as a shell solely to have another entity available with which she can file tax returns in the event others are shut down or draw too much IRS scrutiny.

(C) *Aundrea Luc*

32. Aundrea Luc resides in Broward and Miami-Dade Counties, within this Court's jurisdiction.

33. Luc and Copeland have two children together.

34. In February of 2007, Luc co-founded Luc Taxes Inc. She was the company's president until it was dissolved in 2010.

35. In violation of federal law, Luc Taxes has never filed a corporate income tax return.

36. Between 2007 and 2010, Luc Taxes filed over 8,000 federal income tax returns for others using either the EIN of another entity, Tax Specialist 02, or a fictitious EIN. A refund was claimed on over 99% of those returns.

37. In 2009, Luc prepared and physically signed six amended 2008 returns in which she fraudulently claimed a FTHBC. On all of those returns, she listed the social security number of a dead person as the social security number of the paid preparer.

(D) *James Daniels*

38. James Daniels resides in Broward and Miami-Dade Counties, within this Court's jurisdiction.

39. Daniels is Jayvon Copeland's stepfather.

40. Daniels has used ploys promoted by defendants on his own tax returns for 2007,

2009, and 2010. For each of these years, he fabricated income and withholdings in order to qualify for a higher EITC than he was legally entitled to claim.

41. Daniels was the vice president and co-owner of Luc Taxes from 2007 through 2010, when the corporation was dissolved. As stated in preceding paragraphs, Luc Taxes prepared and filed thousands of returns during this period using a fictitious EIN, the EIN of a different company, and with paid preparers who used bogus social security numbers.

42. In 2009 and 2010, Daniel's EFIN, for which he is personally responsible, was used to e-file over 4,000 federal income tax returns that misidentified: (1) the company preparing the return (either by name or EIN), or (2) the identity of the tax return preparer (through the use of a false SSN).

43. Daniels also prepared and physically signed amended federal income tax returns for 2008 in which he used the social security number of a dead person rather than his own to identify the paid preparer.

(E) *Brandon Johnson*

44. Brandon Johnson resides in Broward and Miami-Dade Counties, within this Court's jurisdiction.

45. In violation of federal law, Johnson failed to file his federal income tax returns for 2008 and 2009.

46. Between 2008 and 2011, over 600 federal income tax returns were filed with the IRS using Johnson's social security number to identify the paid preparer. A refund was claimed on over 98% of those returns.

47. From 2007 through 2010, Johnson was the Manager of Imperial Tax Services

LLC. Between 2008 and 2011, Imperial filed over 2400 federal income tax returns for others. A refund was claimed on over 99% of those returns. For all of the tax returns prepared in 2009, Imperial improperly listed Luc Taxes as the paid preparer.

Defendants' Preparation of Fraudulent Returns

(A) *Fraudulent First-Time Homebuyer Credits*

48. Defendants routinely prepared federal income tax returns and amended income tax returns for 2008 and 2009 in which they fraudulently claimed that their customers were entitled to the First-Time Homebuyer Credit.

49. Congress enacted the First-Time Homebuyer Credit in July 2008 to strengthen the real estate market and help the ailing economy. The credit originally allowed first-time homebuyers a credit against their federal income tax of the lesser of ten percent of a home's purchase price or \$7,500. Initially, the credit operated as an interest-free loan that had to be repaid. In 2009, the credit increased to the lesser of ten percent of the home's purchase price or \$8,000. Unlike with the earlier credit, taxpayers no longer had to repay the FTHBC. Moreover, because the credit was refundable, a taxpayer eligible for the credit could receive a tax refund up to the full amount of the credit even if the taxpayer did not owe any federal income taxes or make any withholding payments that year. The credit expired in 2010.

50. Before the credit expired, a taxpayer who bought an eligible home could claim the credit, described in 26 U.S.C. § 36, by completing an IRS Form 5405 and attaching it to his or her income tax return. The requirements for credit eligibility, as set forth in Form 5405, were 1) a taxpayer must not have owned a home in the previous three years ending on the date of the purchase, 2) the taxpayer must have actually purchased a home after April 8, 2008, and 3) the

taxpayer could only claim the credit for a purchase of a primary residence.

51. Because of the individual defendants' intentional and illegal jumbling and falsification of preparer identifiers, it is difficult to know the full scope of fraudulent FTHBCs attributable to each defendant. Nevertheless, Copeland physically signed seven amended 2008 federal income tax returns fraudulently claiming the FTHBC; Andrews physically signed 39 amended 2008 tax returns fraudulently claiming the FTHBC; and Daniels and Luc each physically signed six amended 2008 tax returns fraudulently claiming the FTHBC.

52. In addition to preparing and signing the amended returns referenced above, the defendants prepared other tax returns for 2008 and 2009 in which they claimed bogus FTHBC.

53. As an example, in 2008, Copeland prepared a federal income tax return for Sergio Cardenas. Copeland used a fake social security number in the section of the return labeled "Preparer's SSN or PTIN." Cardenas owns a home, but he bought it in 2006, before the credit was available. When Cardenas met with Copeland to have his tax return prepared, Copeland did not even ask Cardenas if he had purchased a home within the relevant period. Instead, he falsely told Cardenas that the government was giving out interest free loans due to the bad economy. He prepared a return for Cardenas claiming a \$7,500 FTHBC.

54. In another instance, Copeland prepared a 2008 federal income tax return for Sharon Benjamin. Though Benjamin had not purchased a home and did not tell Copeland that she purchased a home, Copeland claimed an \$8000 FTHBC. Benjamin a received a tax refund check of over \$9000. When the check came in, Copeland had her sign the check over to him. He then took her to a check cashing store, cashed the check, and gave her only \$3,500 of the refund.

55. Similarly, in 2009, Tamauri Hopkins went to Tax Specialist to have her 2008 federal income tax return prepared. Though a woman prepared Hopkins's tax return, Jayvon Copeland is identified as the paid preparer on the return. Moreover, the preparer's social security number is the social security number of a person who died in the 1970s. According to Hopkins, the preparer told her she could get an \$8000 credit from the government. When she received her refund check, Hopkins was brought to a check cashing business where she was asked to give half of her refund to the preparer.

56. The IRS randomly sampled 20 of the returns filed by Luc Taxes and Tax Specialist in 2009 that claimed a FTHBC. Ten of the returns sampled used a fictitious social security number to identify the paid preparer and were filed using an EFIN belonging to Kisha Andrews. The other ten used a false EIN, a false social security number, and were filed using an EFIN belonging to James Daniels. The IRS checked property records for the 20 taxpayers at issue. None of them had purchased real estate. None actually qualified for the credit.

57. Additionally, the IRS randomly sampled 22 of the 129 returns filed in 2009 by Imperial Tax and claiming a FTHBC. All 22 were filed using an EFIN belonging to Brandon Johnson. Only one of the 22 taxpayers had purchased a home.

(B) Fake Schedule C Businesses

58. In order to maximize fraudulent refunds for their customers and, more importantly, collect unconscionably high fees which are deducted from these refund checks, the defendants create fraudulent Schedule Cs depicting phony businesses. The fictitious businesses show inflated income or expenses, whichever is needed to maximize the refund. In some cases, according to IRS interviews with customers, the customers do not even see the Schedule Cs

before they are filed and claim to have no knowledge that one was filed on their behalf.

59. As one example, a secretary from Miami, Shawnee Bell, had her 2008 and 2009 tax returns prepared by a female preparer at Luc Taxes. Though a female prepared both returns, the paid preparer on the return is falsely listed as Jayvon Copeland, and the paid preparer's social security number is fake. Though Bell was solely a W-2 wage-earning employee, the preparer created a Schedule C for both years, falsely listing a business loss to qualify Bell for an EITC. Bell had no side business and claims not to have seen the Schedule C before it was filed.

60. In another instance, Copeland prepared the 2008 and 2009 federal income tax returns of Chandra Eason, a clerk for the United States Postal Service. Though Copeland knew Eason's only income was from the Postal Service, he prepared a false Schedule C for a business purportedly operated in 2009 out of Eason's home in Miami. The Schedule C for 2009 listed expenses of over \$19,000. This phony business loss reduced Eason's taxable income to zero.

61. In another instance, Copeland prepared the 2008 and 2009 federal income tax returns for Carlos Cruz, a cable technician from Hialeah, Fla. Cruz had no side business; nor did he discuss one with Copeland. Nevertheless, Copeland prepared a Schedule C business falsely reporting a loss of over \$22,000 in 2008 and over \$28,000 in 2009. The fictitious losses reduced Cruz's adjusted gross income to the point that he qualified for an EITC.

62. Elizabeth Davila, a full time paralegal from Miami, had her tax returns for 2008, 2009, and 2010 prepared by Andrews. In violation of federal law, according to Davila, Andrews guaranteed her a refund. Moreover, for 2008 and 2009, though Davila was a full time W-2 wage-earning employee and did not discuss with Andrews owning any business of her own, Andrews prepared a Schedule C for each tax year. According to the Schedule C prepared by

Andrews, the “business” lost \$23,881 in 2008 and \$12,438 in 2009. Because losses from a Schedule C business flow through to an individual’s taxable income, these fictitious losses resulted in Davila under-reporting her taxable income.

63. Similarly, Andrews prepared the 2008 and 2009 federal income tax returns for Cathy Kennedy. Though Kennedy provided Andrews with her W-2 showing that she was a full time employee of a county school board and never discussed owning her own business, Andrews prepared a Schedule C for each year. She claimed losses of \$17,343 and \$15,888 from the fictitious business in 2008 and 2009, respectively.

64. In another instance, Euridyce Daveron had her 2008 federal income tax return prepared at Luc Taxes. The e-filed return was submitted with an EFIN belonging to Daniels, but the tax return preparer did not sign the return and used the SSN of a dead person to identify himself. To further muddle matters, the preparer used a fake EIN rather than Luc Taxes’ actual EIN. According to the e-filed return, the taxpayer had a Schedule C business that lost \$6,746—enough to reduce her income to a point that would maximize her EITC. Daveron had no side business and claims she never discussed having one with the preparer. Moreover, the copy of the return the preparer gave to Daveron to keep for her records is different from the one filed using Daniels’ EFIN.

(C) Fake W-2s

65. Defendants and/or those employed by the Defendants also fabricate W-2s. The fabricated W-2s sometimes overstate income in order to allow the taxpayer to receive an EITC. In other instances, the fabricated W-2s overstate withholdings, thereby allowing the taxpayer to get a refund for withholding payments he or she never made.

66. For example, Glenn Zimmerman from Boca Raton went to Luc Taxes because he was told the preparers there would not ask any questions and would definitely get him money. According to his 2008 federal income tax return, Zimmerman's return was prepared by Copeland. Copeland's name, however, is paired with a bogus social security number. All that the taxpayer gave to the preparer was his driver's license. This customer had not worked or filed tax returns in years. Yet, with only a driver's license, Luc Taxes prepared a return and a fake W-2 saying that customer worked for Akal Security in 2008 and paid \$1,011 in federal withholdings. The customer received a refund of \$9,182, which was entirely disallowed after an IRS audit.

67. In another instance, Daniella Voltaire, a customer from Miami, brought her W-2 from Brand Smart to Luc Taxes to have her 2008 federal income tax return prepared. The tax return submitted by Luc taxes, however, attached a W-2 from AAA Staffing LTD and understated the customer's wages by almost \$5000.

68. In another case, an unemployed woman from Coral Springs had her 2008 federal income tax return prepared by Copeland. Because she was unemployed in 2008, she had no W-2. Nevertheless, the return prepared and filed by Copeland contained a fabricated W-2 reporting \$8,127 in wages from "Apple, Inc."

69. In auditing tax returns filed in 2009 with defendant Daniels's EFIN—either by Luc Taxes or Taxes in Miami Gardens—the IRS repeatedly disallowed wages and withholdings claimed on taxpayers' returns based on fraudulent W-2s. In most of those instances, the IRS auditor contacted the employer listed on the fake W-2 and confirmed that the taxpayer was never employed there. In most of these cases, the wages or withholding on the fake W-2 qualified the

taxpayer for an EITC.

(D) *False Schedule A Deductions and Education Credits*

70. Since at least 2008, the defendants have also routinely overstated or outright fabricated itemized deductions available on IRS Schedule A, including deductions for mortgage interest, charitable contributions, medical expenses, and education expenses. Additionally, since 2009 they have regularly claimed bogus education expenses to get their customers the refundable American Opportunity Education Credit. Because it is a refundable credit, the American Opportunity Education Credit can entitle taxpayers to refunds even if they owe no taxes and have not made any withholding payments to the IRS.

71. For example, the Riveras, a married couple from Coconut Creek, Fla., had Kisha Andrews prepare their federal income tax returns for 2007, 2008, and 2009. The IRS audited their 2008 return, which overstated various Schedule A deductions. It overstated the home mortgage interest deduction by over \$5000, charitable contributions by over \$7000, and \$6000 in employee business expenses. According to an affidavit signed by the Riveras during an IRS investigation, they do not know how or why Andrews claimed these deductions; they did not provide her with this information.

72. In 2008, 2009, and 2010, a paralegal from Miami, Elizabeth Davila, had her federal income tax returns prepared by Andrews. Though Davila did not have any qualified education expenses or even discuss any with Andrews, Andrews deducted education expenses for all three years and, for 2009 and 2010, claimed the maximum American Opportunity Education credit of \$1,000.

73. Similarly, Andrews prepared 2008 and 2009 federal income tax returns for Cathy

Kennedy. Kennedy did not have any qualified education expenses in either year and says she did not discuss any such expenses with Andrews. Nevertheless, Andrews prepared a return that deducted \$3,981 in tuition fees for 2008 and claimed a \$1,000 refundable American Opportunity Education credit in 2009.

74. Euridyce Daveron had her 2008 federal income tax return prepared by Luc Taxes and her 2009 returns prepared by Taxes in the Gardens. The e-filed returns were submitted with an EFIN belonging to Daniels, but the tax return preparer did not sign either return, as required by the Internal Revenue Code, and even used a fake SSN to identify himself. Both returns—filed with Daniels’ EFIN—contain deductions for phony expenses, including home interest, and medical and dental expenses. Daveron did not discuss these expenses with the preparer and does not know why they are on her return. The 2008 return also claims Daveron’s son as a dependent, even though Daveron told the preparer that her son was in prison. In 2009, in addition to claiming phony education credits, the return gave Daveron the maximum refundable amount from the American Opportunity Education credit, even though she did not make any qualified education expenses or discuss any with the preparer.

75. Similarly, in another 2009 federal income tax return e-filed using Daniels’ EFIN but using a fraudulent SSN and fake EIN to identify the paid preparer, the return claimed the \$1000 maximum refundable amount of the American Opportunity Education credit. The taxpayer, Anthony Green, did not make any qualifying education expenses that year and did not discuss any with the preparer.

(E) *Identity Theft*

76. The defendants and their employees have also filed tax returns for others without

customer knowledge or permission in order to allow defendants to keep the fraudulent refunds they create.

77. In such cases, the defendants have used bank products that result in the IRS sending refund checks to OhioValley Bank Company. When customers apply (knowingly or not) for a bank product, the defendants set up an account for each customer at Ohio Valley Bank. Though the accounts are in the customers' names, the defendants control the accounts. When the IRS issues a refund for that customer, the defendants' exorbitant fees are paid directly from the customers' refund, and the remainder is then deposited in the account set up by the defendants. In some instances, however, the defendants are not satisfied with merely taking exorbitant fees from the refunds they inflate. Instead, they take the whole refund.

78. Some of the taxpayers whose refunds are taken do not even know they are victimized by the defendants until they are contacted by the IRS regarding a return they never filed or authorized. For example, in January of 2011, Villard Dervilus, from Pompano Beach, electronically filed his 2010 federal income tax return. After doing so, he claims he was asked to call the IRS, who reported that he had received a FTHBC in 2008, though public records showed he did not qualify because he purchased his home in 2006. Dervilus actually did not work or earn any income in 2008, and therefore did not file a tax return. The 2008 tax return submitted for him listed Jayvon Copeland of Luc Taxes as the paid preparer. Dervilus filed an identity theft complaint with the Broward County Sheriff's Office.

79. In another instance, in 2009, Roland Claude went to Tax Specialists at 4350 W. Sheridan St., Hollywood, Fla. to have his 2008 federal income tax return prepared. On May 8, 2009, a refund check for almost \$9000 was deposited at the Ohio Valley National Bank, where

Luc Taxes had opened an account for Claude. Claude never received any of this money.

Though he never purchased a home, his tax return claimed a FTHBC, which was the basis for \$7,500 of his refund. On October 27, 2010, the IRS sent Claude a letter requesting payment toward his FTHBC, prompting him to notify the IRS and the police that he never received any tax refund for 2008 and does not know who cashed his refund check. Claude reported the fraud to the Hollywood Police Department.

80. In other instances, the Defendants prepared and filed tax returns for incarcerated individuals without their knowledge. For example, Luc Taxes prepared a 2008 tax return for Robert Brady, who has been serving a life sentence at Marion Correctional Institution in Lowell, Florida, since 2002. Someone at Luc Taxes, using the name of Jayvon Copeland associated with a false social security number, prepared a federal income tax return in Brady's name claiming a refund of \$8,858. Brady did not receive the refund. The return claimed a FTHBC and an education credit. While incarcerated, Brady did not purchase a home or make qualified education expenses. Nor did he work for wages, though his return contained a fake W-2 from "International Business Communication" reporting fake wages and withholdings.

81. In another instance, Luc Taxes fraudulently prepared and filed a 2008 federal income tax return in the name of Norma Rivas, who claims she did not file the return or even know that it was filed until she was audited by the IRS. The return, which identifies the Luc Taxes preparer only as "Tax Specialist" and with a false social security number, claimed a refund of \$8,354.

82. Similarly, a preparer at Luc Taxes identified only as "Tax Specialist" fraudulently prepared and filed a 2008 federal income tax return for Antonette English. At the time, English

was a full time student living with her parents. She did not file a tax return that year and learned that Luc Taxes fraudulently filed one for her only when she received a letter from the IRS in 2010 regarding the FTHBC she allegedly received. English did not buy a home, claim to have purchased a home, or even file a return. By fraudulently preparing and filing a return with a claim for the FTHBC, Luc Taxes took home the over \$7,000 refund it claimed.

83. In another instance, on April 13, 2009, a Luc Taxes employee picked up people in a bus from the parking lot of a Winn Dixie grocery store. At least two of the people picked up were medically unstable and unemployed. One is a diagnosed paranoid schizophrenic. They were taken to an office in Miramar, where a 2008 federal income tax return was prepared for each. Neither of the two individuals owned a home or had purchased one that would qualify for a FTHBC, yet both had returns prepared claiming the maximum FTHBC. Each return also attached a fraudulent W-2 with fictitious wages and withholdings. Neither person was actually employed. Each received a refund check from which Luc Taxes took out fees of over \$700.

84. Identity theft and misappropriation of refunds by fraudulent tax return preparers are on the IRS list of “Dirty Dozen” tax scams for 2012—“the worst of the worst tax scams.” The IRS warns of unscrupulous tax return preparers such as Defendants who “use a legitimate taxpayer’s identity and personal information to file a tax return and claim a fraudulent refund.” In fact, the problem is so pervasive and disturbing that identity theft “[t]op[s] this year’s Dirty Dozen list.” Also among the Dirty Dozen tax scams for 2012 is tax preparer fraud, which includes fraud by tax return preparers who “skim off their clients’ refunds, charge inflated fees for return preparation services and attract new clients by promising guaranteed or inflated refunds.” Defendants steal others’ identity to prepare fraudulent returns and obtain refunds to

which they are not entitled. They also prepare and file returns for the sole purpose of lining their pockets with “fees” deducted from their customers’ inflated refunds.

Harm to Public

85. Defendants’ repeated violations of the law harm the United States, taxpayers, and legitimate tax return preparers.

86. Defendants’ schemes to understate their customers’ taxes and inflate their refunds directly harm the United States in the form of lost tax revenue. For tax years 2008 - 2010, the IRS has audited 342 returns prepared by entities owned and controlled by the Individual Defendants—Luc Taxes, 4350 Sheridan, and Taxes in Miami Gardens. On average, these audited returns understated over \$7,000 in taxes. The total tax loss from the 342 audited returns is over \$2.4 million.

87. Because of the defendants’ efforts to distort or conceal the identity of the person or entity preparing the tax returns at issue, it is difficult to know for sure how many returns the defendants file each year. But, using all known EFINs, preparer SSNs and firm EINs associated with the defendants, the IRS has identified 19,398 returns filed by the defendants since 2008. If the average adjustments for the audited returns stated in the previous paragraph applied to all of these filed returns, the harm to the government would be \$138,307,740.

88. The defendants also harm their customers. First, they charge exorbitant and often undisclosed fees. Second, in some instances, they take the refunds from unwitting “customers” whose identities they have stolen. Third, and most commonly, they subject their customers to audits that can leave them owing taxes, and possibly penalties, that they lack the means to pay.

89. Finally, the defendants’ misconduct harms legitimate tax return preparers who

must compete for business with unscrupulous preparers.

Count I: Injunction Under I.R.C. § 7408 for Engaging in Conduct Subject to Penalty Under I.R.C. §6701

90. The United States incorporates by reference the allegations in paragraphs 1 through 89.

91. Section 7408 of the Internal Revenue Code authorizes a district court to enjoin conduct subject to penalty under section 6701. Section 6701 imposes a penalty: (1) on any person who aids, assists, procures, or advises with respect to the preparation or presentation of any portion of a tax return, claim or other document (“portion”); (2) when that person knows or has reason to know that such portion will be used in connection with a material matter arising under federal tax law; and (3) that person knows that such portion (if used) would result in an understatement of the liability for the tax of another person. Procuring the preparation of tax returns includes ordering (or otherwise causing) a subordinate to do an act, as well as knowing of, and not attempting to prevent, participation by a subordinate in an act.

92. From 2008 to the present, defendants, through their actions detailed above, caused the presentation and preparation of false, fraudulent and abusive tax returns and other documents. They personally have prepared, or have employed and supervised others under their control to prepare, tax returns for others that (1) falsely claim a FTHBC, (2) falsely claim Schedule A deductions and refundable education credits, (3) misstate wages and withholdings based on fabricated W-2s, (4) report phony business income or losses on fraudulent Schedule Cs, and (5) fraudulently entitle their customers to EITCs.

93. Defendants’ actions resulted in the understatement of many of their customers’ tax liabilities. Given defendants’ roles in the preparation of these returns, the defendants knew

that their actions would lead to the understatement of their customers' tax liabilities.

94. Defendants have repeatedly created new entities and relied on false identification numbers to keep their schemes going without IRS detection. This evidences their persistence in continuing to employ and profit from their illegal schemes. Consequently, if the Court does not enjoin defendants, they are likely to continue to engage in tax fraud and conduct subject to penalty under I.R.C. § 6701.

95. Accordingly, penalties under I.R.C. § 6701 are warranted and an injunction is necessary to prevent the recurrence of defendants' illegal conduct.

Count II: Injunction Under I.R.C. § 7407

96. The United States incorporates by reference the allegations in paragraphs 1 through 95.

97. I.R.C. § 7407 authorizes a district court to enjoin a person who is a tax return preparer from engaging in certain prohibited conduct or from further acting as a tax return preparer. The prohibited conduct justifying an injunction against a tax return preparer includes:

- a. Engaging in conduct subject to penalty under I.R.C. § 6694 or 6695;
- b. Misrepresenting one's eligibility to practice before the IRS or one's experience or education as a return preparer;
- c. Guaranteeing a tax refund or allowance of a tax credit; or
- d. Engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.

98. The defendants have repeatedly and continually engaged in conduct subject to penalty under I.R.C. § 6694 and 6695. Moreover, they have engaged in fraudulent or deceptive conduct that interferes with the proper administration of the internal revenue laws.

99. Under I.R.C. § 6694, a tax return preparer is subject to penalty if:
- a. Any part of any understatement of liability with respect to any return or claim for refund is due to a position for which there was not a realistic possibility of being sustained on its merits;
 - b. The income tax return preparer knew (or reasonably should have known) of such position, and
 - c. Such position was not disclosed as provided in section 6662(d)(2)(B)(ii) or was frivolous.

100. In this case, the defendants are all tax return preparers and subject to penalty under § 6694. They have flagrantly disregarded the requirements for claiming the FTHBC and EITC. They also fabricated Schedule C businesses and W-2 income and withholdings for the sole purpose of earning their customers impermissible refunds from which the defendants could automatically get paid their exorbitant tax preparation fees. Defendants knew or should have known that the positions they took on the tax returns they prepared would—and did—result in an understatement of tax.

101. In order for a court to issue an injunction under I.R.C. § 6694, the court must find: (1) that the tax return preparer engaged in the prohibited conduct; and (2) that injunctive relief is appropriate to prevent the recurrence of such conduct.

102. If the court finds that a preparer has continually or repeatedly engaged in such conduct, and the court further 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 further acting as a federal tax preparer.

103. Defendants, as shown above, are tax preparers who have repeatedly and

continually prepared or submitted returns or portions of returns (or employed or managed others who prepared or submitted returns or portions of returns) that contain unreasonable positions and substantially understate the liability for tax on the return.

104. The defendants' conduct also subjects them to penalties under I.R.C. § 6694(b), which arises when the understatement of tax results from either (a) a willful attempt in any manner to understate the liability for tax on the return, or (b) intentional disregard of rules or regulations. The defendants willfully disregarded the requirements to claim a FTHBC or EITC, as well as Schedule A deductions and the refundable education credit. They also willfully fabricated documents—and entire businesses—to understate their customers' tax liabilities and maximize their own fees.

105. Furthermore, defendants, as evidenced throughout the complaint, have continually and repeatedly engaged in conduct subject to penalty under I.R.C. § 6695. In violation of § 6695(b) and (c), the defendant tax return preparers have failed to (1) sign the tax returns they prepare and/or (2) furnish an identifying number. Indeed, the defendants go to great lengths to conceal or mis-identify the person preparing the return. Also, in violation of § 6695(f), which prohibits tax return preparers from negotiating their clients' refund checks, the defendants or their employees have regularly forced their customers to cash and hand over portions of their refund checks. Even worse, in the instances when they have filed a claim for refund on behalf of a taxpayer whose identity they have stolen, the defendants have outright stolen their customers' refund checks. Finally, in violation of § 6695(g), the defendants have not exercised due diligence in determining their customers' entitlement to EITCs. In fact, as stated above, they have willfully violated the rules to obtain EITCs for customers who are not entitled to them.

106. In addition to violating §§ 6694 and 6695, the defendants continually and repeatedly engage in other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws. Examples of such misconduct include: (1) knowingly preparing, assisting in preparing, and encouraging the preparation of tax returns containing false and fraudulent information; (2) fabricating W-2s and misstating income or withholdings; (3) creating bogus Schedule C companies; (4) preparing returns using fraudulent information to mis-identify or conceal the tax return preparer; and (5) stealing identities and preparing people's returns without their knowledge or consent. All of this constitutes conduct that may and should be enjoined under I.R.C. § 7407(b).

107. Defendants repeatedly and continuously engaged in egregious and illegal conduct subject to injunction under I.R.C. § 7407. Defendants' actions are so flagrantly illegal and so egregious that they demonstrate the futility of a narrow injunction prohibiting only specific conduct. Accordingly, the Court should permanently enjoin the defendants from acting as federal tax return preparers, and from owning, managing, controlling, working for, or volunteering for a tax return preparation business.

Count III: Injunction Under I.R.C. § 7402(a) as Necessary to Enforce the Internal Revenue Laws

108. The United States incorporates by reference the allegations in paragraphs 1 through 107.

109. Section 7402(a) 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, even if the United States has other remedies available for enforcing those laws.

110. Defendants' activities described above substantially interfere with the

enforcement of the internal revenue laws by promoting abusive tax schemes that result in customers not paying their true federal income tax liabilities.

111. Defendants, through their actions described above, have engaged in conduct that substantially interferes with the enforcement of the internal revenue laws. Unless enjoined, the defendants are likely to continue to engage in such conduct.

112. The tax returns defendants prepared or had prepared for their customers improperly and illegally reduced their federal income tax liabilities. In addition, defendants' actions in preparing or directing the preparation of tax returns containing false and fraudulent information, and preparing or directing the preparation of phony tax documents, directly results in, as defendants know and intend, the filing of false, fraudulent and incorrect tax returns. Additionally, their continual efforts to hide their misconduct through the use of phony SSNs, EINs, and names, along with their intentional jumbling of identifiers, adds to the already burdensome task of detecting and remedying fraud. Finally, the defendants' theft of taxpayer identities to file returns and claims for refund that benefit them severely undercuts public confidence in tax administration and enriches the defendants at their victims' expense.

113. Unless enjoined by this Court, defendants are likely to continue to engage in illegal conduct, as described above. Defendants, if not enjoined, are likely not only to continue to engage in tax fraud subject to penalty under IRS §§ 6694, 6695 and 6701, but also to engage in other conduct that substantially interferes with the enforcement of the internal revenue laws.

114. The substantial harm caused to the United States and the public by the defendants' egregious misconduct outweighs the harm to the defendants of being enjoined.

115. Enjoining defendants is in the public interest because an injunction, backed by the

Court's contempt powers if needed, will stop the defendants' illegal conduct and the harm that such actions cause the United States and its citizens.

Relief Sought

WHEREFORE, plaintiff, the United States of America, respectfully prays the following:

A. That this Court find defendants engaged in conduct subject to penalty under I.R.C. § 6701 and that injunctive relief under I.R.C. § 7408 is appropriate to prevent recurrence of that conduct;

B. That the Court find that defendants continually and repeatedly engaged in conduct subject to penalty under I.R.C. § 6694 and § 6695, and other fraudulent and deceptive conduct, and that injunctive relief under I.R.C. § 7407 is therefore necessary and appropriate to prevent the recurrence of that conduct;

C. That the Court, pursuant to I.R.C. § 7407, enter a permanent injunction prohibiting defendants from acting as federal tax return preparers, and expressly prohibiting defendants from owning, managing, supervising, working in, profiting from, or otherwise being involved in any tax return preparation business in any way;

D. That the Court find defendants engaged in conduct substantially interfering with the administration and enforcement of the internal revenue laws and that injunctive relief is appropriate to prevent recurrence of that conduct under 26 U.S.C. § 7402(a);

E. That this Court, pursuant to 26 U.S.C. §§ 7402 and 7408, enter a permanent injunction prohibiting defendants (individually and through any other name or entity), and their representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with them, from directly or indirectly:

- a. Acting as federal tax return preparers, supervising or managing federal tax return preparers, or assisting with, or directing the preparation or filing of federal tax returns, amended returns, claims for refund, or other related documents, for any person or entity other than themselves, or appearing as representatives on behalf of any person or organization whose tax liabilities are under examination or investigation by the Internal Revenue Service;
- b. Engaging in conduct subject to penalty under I.R.C. § 6701, including the conduct described in this complaint, and from aiding, assisting, procuring, or advising with respect to the preparation or presentation of any portion of a tax return, claim, or other document, that defendants know or have reason to know will be used as to a material matter arising under federal tax law, and will result in the understatement of the liability for the tax of another person;
- c. Instructing, advising, encouraging, enabling, inciting or assisting customers to understate their federal tax liabilities or assert unreasonable, frivolous, or reckless positions, or preparing or assisting in the preparation or filing of tax returns for others that defendants know (or have reason to know) will result in the understatement of any tax liability as subject to penalty under I.R.C. § 6694;
- d. Engaging in any activity subject to penalty under I.R.C. § 6695,
- e. Organizing, promoting, providing, advising, or selling business or tax services that facilitate or promote noncompliance with federal tax laws; and
- f. Engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

F. That the Court, pursuant to I.R.C. §§ 7402(a), 7407 and 7408 enter an injunction requiring defendants, within thirty days of the entry of an injunction against them, to contact by mail all persons for whom they prepared a federal tax return since December 1, 2009, 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 defendants, and file a certification with the Court, under penalty of perjury, stating that they have complied with this provision;

G. That the Court, pursuant to I.R.C. §§ 7402(a), 7407 and 7408 enter an injunction requiring defendants to produce to counsel for the United States, within thirty days of the entry of an injunction against them, a list that identifies by name, social security number, address, email, telephone number, and tax period(s) all persons for whom defendants prepared federal tax returns or claimed a tax refund since December 1, 2009, and file a certification with the Court, under penalty of perjury, stating that they have complied with the provision;

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

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

J. That the Court grant the United States such other and further relief, including costs, as the Court deems appropriate.

Dated: April 18, 2012.

Respectfully submitted by,

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