

**IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF KANSAS**

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.)
)
 SEMERE TSEHAYE, AHFEROM GOITOM,)
 A & S TAX SERVICES, LLC, AND ERI)
 ENTERPRISES, LLC, (d/b/a Instant Tax Service))
)
 Defendants.)

Civil No. 12-cv-2183 JWL/DJW

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

The United States of America seeks a permanent injunction against defendants Semere Tsehaye, Ahferom Goitom, A&S Tax Services, LLC, and ERI Enterprises, LLC, doing business as Instant Tax Service, barring them from further acting as federal tax return preparers. The United States of America states as follows:

1. Defendant Semere Tsehaye owns and operates a tax preparation business under the name Instant Tax Service at 950 State Avenue, Kansas City, Kansas, that engages in systemic and pervasive tax fraud. Tsehaye’s brother, defendant Ahfrom Goitom, manages that Kansas location and personally prepares false and fraudulent federal income tax returns. Tsehaye also owns and operates numerous additional Instant Tax Service locations in Saint Louis and Kansas City, Missouri, and East Saint Louis, Illinois, that engage in tax fraud.
2. Instant Tax Service is a brand and franchise business marketed throughout the United States by the franchisor ITS Financial, LLC. ITS Financial is headquartered in Dayton, Ohio, and was founded by current owner and CEO Fesum Ogbazion in 2004. Instant Tax

Service claims on its website to be the “4th largest tax preparation company” in America, one of “the fastest growing franchises,” and the “number one new franchise” brand in the country as of 2009. It also says that to purchase a new Instant Tax Service franchise, “[n]o tax experience [is] necessary!”

3. Tsehaye, through his wholly owned companies, is the largest Instant Tax Service franchisee in both the Kansas City and St. Louis metro areas. In addition to the 950 State Avenue store in Kansas, he operates five Instant Tax Service locations in Kansas City, Missouri, through defendant A&S Tax Services, LLC. Tsehaye also owns fourteen Instant Tax Service stores in Saint Louis, Missouri and East Saint Louis, Illinois which he operates through defendant ERI Enterprises, LLC. Collectively, Tsehaye’s twenty Instant Tax Service offices prepared nearly 15,000 returns in 2010 and 2011.

4. Defendants A&S Tax Services and ERI Enterprises are limited liability companies organized in Missouri and are solely owned and controlled by Tsehaye.

5. Tsehaye directs, supervises and manages dozens of tax return preparers at his Instant Tax Service stores who illegally prepare false and fraudulent federal income tax returns. His Instant Tax Service employees, for instance, routinely prepare tax forms that falsely claim education and dependent care credits, that depict phony Schedule C companies, and that report fictitious income and expenses in order to fraudulently inflate the Earned Income Tax Credit (EITC) for their customers.

6. Defendant Ahferom Goitom is Tsehaye’s brother. Goitom lives in the Kansas City metro area and manages the 950 State Avenue Instant Tax Service store in Kansas City, Kansas. Goitom personally prepares false and fraudulent federal income tax returns for

customers at that location, including returns that report phony Schedule C companies and fictitious income and expenses.

7. The United States brings this complaint pursuant to 26 U.S.C. §§ 7402, 7407 and 7408 of the Internal Revenue Code, to enjoin defendants, and anyone in active concert with them, from preparing or directing the preparation of federal income tax returns, from engaging in and facilitating tax fraud, and from engaging in any other conduct that substantially interferes with the administration or enforcement of the tax laws.

Jurisdiction and Venue

8. 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).

9. Venue is proper pursuant to 28 U.S.C. § 1391(b), because defendants 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

10. 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

11. The United States commences this action to stop defendants from engaging in and facilitating extensive and pervasive tax fraud schemes. Specifically, the government seeks to enjoin defendants, and all those 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 aiding, instructing, assisting, encouraging, enabling, inciting, or advising (or supervising or managing others who aid, instruct, assist, encourage, enable, incite, or advise) 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 tax of another person;
- c. Organizing, promoting, selling, advising, implementing, carrying out, assisting, supervising, or managing abusive plans or arrangements that violate the Internal Revenue laws;
- d. Aiding, instructing, assisting, encouraging, enabling, inciting, or advising (or supervising or managing others who aid, instruct, assist, encourage, enable, incite, or advise) 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;
- e. Improperly aiding, instructing, assisting, encouraging, enabling, inciting, or advising (or supervising or managing others who improperly aid, instruct, assist, encourage, enable, incite, or advise) customers to avoid the assessment or collection of their federal tax liabilities or to claim improper tax refunds;
- f. Engaging in any activity subject to penalty under I.R.C. § 6695, including failing to (or supervising or managing others who fail to) exercise due diligence in determining customers' eligibility for the Earned Income Tax Credit;
- g. Organizing, promoting, providing, advising, or selling (or supervising or managing others who organize, promote, provide, advise or sell) business or tax services that facilitate or promote noncompliance with federal tax

laws; and

- h. Engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

12. The illegal conduct taking place at Instant Tax Service locations in Kansas, Missouri and Illinois is not isolated to those franchises. Separate injunction suits against ITS Financial, as well as against other Instant Tax Service franchises that routinely prepare false or fraudulent tax returns, are being filed in other cities across the country.

Facts

13. Defendants, and others acting with them, have created and maintain a business environment at Tsehaye's Instant Tax Service stores that promotes and encourages the preparation of false and fraudulent federal income tax returns. Instant Tax Service employees prepare false and fraudulent tax returns for the purpose of significantly and illegally enlarging defendants' profits. Defendants also direct employees to engage in other illegal conduct, such as filing tax returns without customer authorization and preparing fabricated Forms W-2 ("W-2s).

14. Most of defendants' customers are unsophisticated taxpayers with very low incomes. Many receive public assistance. Some of these customers have no knowledge that Instant Tax Service employees prepare and file fraudulent tax returns on their behalf. For others, Instant Tax Service employees—at defendants' urging—encourage customers to participate in the tax fraud by promising them thousands of dollars of illegal refunds. Defendants keep a significant portion of their customers' fraudulently obtained refunds, which they and Instant Tax Service retain as purported fees.

15. Even when Instant Tax Service prepares non-fraudulent tax returns for customers, defendants improperly charge those customers unconscionably high tax preparation and added

fees. ITS Financial CEO Fezum Ogbazion calls the added charges “junk fees” and “revenue generators.” The junk fees include bogus charges for “service bureau,” “document preparation,” “return estimate,” “technology/software,” “account set up,” “check printing,” and “Efile/electronic transmission.” Collectively these charges average more than \$400–\$500, and sometimes run as high as \$1,000, for as little as 15 minutes of return preparation. Because Instant Tax Service deliberately targets low-income taxpayers, defendants’ unconscionably high fees frequently pose a significant financial hardship for their customers.

16. Defendants also routinely fail to disclose all fees or try to hide them, for example, by placing other paperwork over most of the fee disclosure sheet, covering everything except for the refund amount and the signature line at the bottom of the page, and pressuring the customer to quickly sign it. Alternatively, they tell customers one amount for fees and then later increase the fees without the customers’ knowledge or consent.

17. Defendants also peddle false and deceptive loan products to low-income customers who are in need of money quickly. Defendants tell customers that they can receive significant cash loans as advances on their expected refunds within 48 hours. Most of defendants’ customers, however, are either denied the loans outright or receive amounts that are so small that they are subsumed by the accompanying junk fees alone, before factoring in the exorbitant tax preparation fees. Even customers whose loan applications are denied are charged junk “transmission fees,” “technology fees,” “account set up fees,” and “check-print fees” that go directly to franchisor ITS Financial or to its affiliate, Tax Tree.

18. Apart from being profitable in their own right, the false and deceptive loan products principally serve as an inducement for people to have their tax returns prepared and

filed by defendants' Instant Tax Service stores, so that defendants can charge them their unconscionably high fees.

19. Defendants encourage, direct, and assist Instant Tax Service employees in illegal practices that include, but are not limited to:

- a. Preparing fabricated Forms W-2 and filing tax returns with paystubs;
- b. Using bogus EIN numbers when preparing returns;
- c. Preparing phony Forms Schedule C depicting fabricated businesses and income;
- d. Falsely claiming education credits;
- e. Improperly claiming false filing status;
- f. Filing federal income tax returns without the taxpayer's consent or authorization, and fraudulently omitting certain sources of reportable income;
- g. Selling misleading and deceptive loan products.

20. Following defendants' encouragement, direction and assistance, Goitom and Tsehaye's Instant Tax Service employees, in fact, prepare and file false and fraudulent federal tax returns, as detailed below.

a. Fabricated Forms W-2 and Filing Returns with Paystubs

21. Goitom prepares and files federal income tax returns using customers' end-of-year paystubs, and creates fabricated Forms W-2 with those paystubs. Tsehaye encourages Goitom and Instant Tax Service employees to prepare and file returns with paystubs and to create forged W-2s.

22. Federal tax returns for wage earners must be prepared using W-2s. Using end-of-year paystubs to prepare and file tax returns is improper and violates IRS rules. Moreover, paystubs frequently omit income and distributions that are shown on employer-issued W-2s. Thus, preparing and filing federal income tax returns based on information from end-of-year paystubs inevitably results in errors and omissions on federal tax returns, which necessarily interferes with the administration and enforcement of the Internal Revenue laws.

23. Using paystubs to forge fictitious W-2s constitutes outright fraud.

24. On or about January 14, 2011, for instance, Goitom prepared and filed a tax return for a customer (Customer 1) at the 950 State Avenue location using the customer's end-of-year paystub. To cover up the fact that the return was prepared using a paystub, Goitom then created a phony W-2 using Drake tax-preparation software. Goitom also cut off the disclaimer at the bottom of the Drake W-2 indicating that it was not an original W-2. He then placed the forged W-2 into the customer's file to avoid penalties and fines in the event of an IRS audit or compliance visit.

25. In 2009 Tsehaye also sent Instant Tax Service employees in Kansas City, Kansas and Missouri, a stand-alone computer software program capable of creating fictitious W-2s from client paystubs. Unlike W-2s created with the Drake software, W-2s created with the software from Tsehaye do not have a disclaimer stating that the W-2s are not original and which must be cut off to deceive the IRS. Tsehaye's Instant Tax Service employees were then instructed by managers to make forged W-2s with information from client pay stubs and to put the forged W-2s in the customer's case file in the event of future IRS audits or compliance visits.

26. Preparing fake W-2s for the purpose of deceiving the IRS is obviously illegal.

Defendants also had reason to know that using paystubs to prepare and file returns violates the law because in order to participate in the IRS's electronic filing program, all tax preparation company owners must acknowledge that they will comply with the IRS's documentation and due diligence requirements, which expressly prohibit filing returns prepared with paycheck stubs and without genuine W-2s.

27. In addition, the IRS gave defendants warnings during compliance visits and audits regarding IRS documentation and due diligence requirements. For example, in February 2009, the IRS issued Tsehay a reprimand for due diligence failures at one of his Instant Tax Service stores, at which time Tsehay personally acknowledged in writing that his business must comply with IRS electronic filing documentation and due diligence requirements. Also in 2009, the Instant Tax Service franchisor, ITS Financial, entered into a settlement of a lawsuit filed by H&R Block, whereby ITS Financial admitted that filing tax returns based on paystub information violates the law and agreed that Instant Tax Service franchises would not engage in that practice in the future. ITS Financial then disseminated information about that settlement to all franchisees, including in its 2009 Franchise Disclosure Document. Despite the foregoing, defendants continued to prepare and file returns with paystubs and to create forged W-2s to deceive the IRS and avoid penalties or fines.

28. In 2009, 2010 and 2011, numerous Instant Tax Service employees—at defendants' specific instruction and direction—used paystubs to prepare and file federal income tax returns and to illegally create scores of forged W-2s.

b. Use of bogus EIN Numbers

29. Defendants knowingly use incorrect Employer Identification Numbers ("EINs")

when filing federal tax returns and fabricating W-2s.

30. Before one may electronically file a tax return with the IRS on behalf of a customer who received income or wages from an employer, a tax return preparer must have a valid EIN for that employer. Genuine W-2s list the employer's EIN in "box b" of the W-2. The preparer must type in that EIN (and other W-2 information) into an electronic W-2 that then accompanies the electronically submitted tax return. If a preparer files a return with an electronic W-2 that has an *invalid* EIN that does not match a genuine business, an automated system at the IRS rejects the entire return with the filing error code "502." Numerous automatic rejections for invalid EINs may bring unwanted attention from the IRS and trigger audits or compliance visits.

31. The use of a genuine employer's correct EIN on an electronic W-2 when filing the accompanying return is required not just because IRS rules mandate it, but also because the IRS tracks and utilizes that information in connection with its tax enforcement efforts. Reporting an incorrect EIN on an electronic W-2 accompanying a tax return impacts not only the customer taxpayer and the preparer, but also may cause problems for both the genuine employer whose EIN is omitted from the W-2, as well as the wrongly identified company whose EIN is improperly on the W-2. Thus, the use of incorrect or false EINs causes multiple tax enforcement issues and necessarily interferes with the IRS's administration and enforcement of the Internal Revenue laws.

32. Paystubs ordinarily do not show the employer's EIN. To illegally prepare and file a return with a paystub and overcome the lack of an EIN, defendants instruct Instant Tax Service employees to collect and save valid company EINs from genuine W-2s obtained from other

customers. Defendants then tell employees to use those EINs when preparing tax returns with paystubs. If a customer's employer is not included in that saved collection, or cannot be found on the Internet, defendants instruct employees to use an incorrect but otherwise valid EIN for a different employer. Thus, for example, if a customer worked for "Company One," and the preparer cannot find the EIN for that business, defendants tell the employee to use the EIN for "Company Two" when falsely filling out the electronic W-2 from a Company One paystub.

33. Defendants also use the collected and saved EINs when creating forged W-2s that they print out and include in customers' files to deceive the IRS in the event of an audit or compliance visit to avoid penalties or fines.

34. In 2009 and 2010, Tsehaye's Instant Tax Service employees, in fact, collected and saved EINs for local employers. Those EINs were then shared with other employees and were used to file tax returns without valid W-2s and to prepare forged W-2s.

c. Phony Forms Schedules C and Fabricated Income

35. Tsehaye's Instant Tax Service employees prepare and file federal income tax returns with Schedules C reporting phony businesses and fraudulently inflated income for the purpose of significantly increasing customer EITC refunds.

36. The EITC is a refundable tax credit intended to help low-income individuals and families. Unlike many tax credits, a refundable credit entitles qualifying taxpayers to receive refunds even if they have no tax liability. Today the EITC is one of the largest anti-poverty tools in the United States, intended to act as a wage supplement and to increase workforce participation.

37. Defendants personally train employees how to coach their customers to inflate

their income to reach the maximum EITC refund. The optimal amount—or “target” amount—of income needed to maximize the EITC for a single filer with two dependents is approximately \$15,000.

38. For example, for customers with income well below the target amount, both Goitom and Tsehaye told one of their employees, Preparer A, to guide his customers to the “right way to lie.” Thus in 2008, defendants taught Preparer A to begin by asking the customer if he or she did anything else to make money during the year, such as occasional babysitting or cutting hair. If the customer mentions even a few dollars earned from intermittent work, Goitom and Tsehaye told Preparer A to first estimate one full week’s worth of earnings and then inflate it—by multiplying that figure by four weeks, and then again by twelve months—even when they knew the customer did not perform that work for the entire year. They then told Preparer A to report this illegally inflated income on Schedule C of the customer’s federal tax return.

39. The phony additional income enables the preparer to reach the income target amount, and to maximize the EITC refund for the customer, at times increasing it by \$4,000–\$5,000. At the same time, the illegally inflated refund makes it easier for Instant Tax Service to charge the taxpayer unconscionably high tax preparation and junk fees, sometimes totaling as much as \$1,000.

40. Goitom’s and Tsehaye’s Instant Tax Service employees, in fact, regularly prepare and file federal income tax returns with phony Forms Schedule C that depict fabricated businesses and income. This is done both with and without the knowledge of customers.

41. To illustrate, on or about January 25, 2011, Goitom prepared a tax return with a fraudulent Schedule C for Customer 2 at the 950 State Avenue location. The customer explained

to Goitom that in 2010 she babysat during the week, and on some weekends braided hair. She estimated she earned between \$100 and \$150 from babysitting per month (for an annual 2010 total of between approximately \$1,200 and \$1,800) and earned roughly \$900 braiding hair for all of 2010. Goitom prepared Customer 2's tax return, told her to sign an incomplete Schedule C and an incomplete EITC Due Diligence form, and said he would complete the remaining items. Goitom then falsely reported that Customer 2 made \$9,820 from braiding hair (along with \$1,950 in expenses) and earned \$4,600 from a child care business in 2010. This false tax return fraudulently increased Customer 2's EITC tax refund by thousands of dollars, from which defendants deducted their unconscionably high fees.

42. Similarly, on approximately January 14, 2010, Goitom prepared a tax return with a false Schedule C for Customer 3. The customer told Goitom that she made approximately \$3,000 in 2010 doing nails out of her home. Goitom said she needed to claim more income than that to get a big refund. Goitom then prepared a fraudulent Schedule C for Customer 3 on which he reported \$16,500 in income earned from a nail salon business. To help conceal the fraud and make it look like the taxpayer was running an active salon—and to slightly lower her income to the target amount—Goitom also reported \$950 in phony expenses on the Schedule C. Goitom then told Customer 3 to complete the Schedule C Due Diligence forms and instructed her on exactly what numbers to put down. The customer asked Goitom if she needed documentation to verify the income shown on her tax return and Goitom said she did not.

43. On or before February 3, 2011, another one of Tsehaye's preparers at his 950 State Avenue, Kansas City, Kansas store fabricated Schedule C income on Customer 4's 2010 tax return. The taxpayer told Tsehaye's preparer that she made a total of \$2,400 from braiding

hair in 2010. The preparer told Customer 4 that he could add a little more income to her tax return to give her a bigger refund. The customer agreed, but said she did not want any trouble with the IRS. Tsehayé's employee then prepared a federal tax return that stated Customer 4 earned \$5,900 from braiding hair in 2010. This fraudulently inflated her income by \$3,500, illegally increased her federal tax refund, and allowed Instant Tax Service to take a portion of the wrongful refund as a fee.

44. Tsehayé's Instant Tax Service employee at 2731 Cherokee Street, Saint Louis, Missouri, prepared a tax return for Customer 5 on or before March 4, 2011. Customer 5 told the preparer she occasionally braided and curled hair to earn money during the 2010 tax year. She said that on average she made approximately \$250 per month and had between \$100 to \$125 in monthly business expenses. Instead of preparing a return that reflected Customer 5's actual income, Tsehayé's employee prepared a fabricated Schedule C that reported Customer 5 as having a hair care business that earned \$10,964 in gross income. The preparer fabricated nearly \$8,000 of additional income to maximize the EITC, to inflate Customer 5's refund by thousands of dollars, and to allow Instant Tax Service to retain a portion of the fraudulent refund as a fee.

45. On approximately January 25, 2011, a female employee at Tsehayé's Instant Tax Service store at 2411 State Street, East Saint Louis, Illinois, prepared a federal tax return for Customer 6 that reported fraudulently inflated income. The customer told an Instant Tax Service preparer that she occasionally braided hair during 2010, and that she earned a total of \$575 for the year, and had \$165 in expenses. Despite knowing the truth, the preparer falsely stated Customer 6's income as \$13,978 on Schedule C. The preparer fraudulently inflated the taxpayer's income to maximize the EITC, to illegally increase the customer's refund by

thousands of dollars, and to enable Instant Tax Service to retain a portion of the bogus refund as a fee. Instant Tax Service also fabricated expenses of more than \$500 to make it look like the customer was running a real business and make it more difficult for the IRS to detect the fraud. When Customer 6 later learned of the fraudulent inflation of her income—which she was told might affect her social security benefits—she called and confronted the preparer. When Customer 6 asked the preparer to fix her return, the preparer said it was not necessary. The preparer said it would not affect her social security and that Instant Tax Service does “it” (meaning falsely increases Schedule C income and fabricates business expenses) all the time.

46. On or about January 26, 2011, a male employee at Tsehaye’s Instant Tax Service store at 2411 State Street, East Saint Louis, Illinois, prepared a fraudulent tax return for Customer 7. Although Customer 7 told the preparer that she babysat her friend’s two children during tax year 2010, the preparer never asked how much she earned. The taxpayer, in fact, was paid approximately \$300 for the year for the babysitting. Subsequently, the Instant Tax Service employee prepared a Schedule C falsely reporting that Customer 7 owned and operated a daycare business that earned \$8,230 in business income. The preparer falsely inflated the taxpayer’s income to maximize the EITC refund, to illegally increase the customer’s refund by thousands of dollars, and to allow Instant Tax Service to retain a portion of the bogus refund as a fee.

d. Falsely Claiming Education Credits

47. Another common illegal practice at defendants’ Instant Tax Service stores involves fabricating education expenses and falsely claiming refundable education credits on customers’ federal income tax returns. Among the conditions for claiming the American

Opportunity Credit (Form 8863), a taxpayer can only claim qualified expenses, and can only seek the credit if the student is the taxpayer, the taxpayer's spouse, or a dependent who is properly claimed as an exemption on the tax return. Improper claims for the American Opportunity Credit at Instant Tax Service in 2010 include the following examples:

48. On or before March 13, 2011, Goitom prepared a tax return for Customer 8 at the 950 State Avenue store that falsely claimed education credits. The customer told Goitom that she had a total of \$40 in educational expenses for 2010. She did not incur any other educational expenses, nor did she tell Goitom that she had any. Goitom then falsely told the customer that he could not prepare her federal tax return for 2010 because her W-2s were too old. After Customer 8 left, Goitom prepared a 2010 federal tax return for Customer 8 reporting that she had \$4,000 in educational expenses and was eligible for the American Opportunity Education Credit. Goitom then filed Customer 8's tax return without her knowledge—and later kept the entire fraudulently obtained refund.

49. Goitom again fabricated educational expenses for another customer on or about February 8, 2011. Customer 9 told Goitom that he attended an English class in 2010. The customer did not tell Goitom that he had any educational expenses (the English class was free), qualified or otherwise. Notwithstanding, Goitom prepared a 2010 tax return that falsely stated that Customer 9 incurred \$4,000 in educational expenses during 2010 and qualified for the American Opportunity Education Credit. This fraudulently increased Customer 9's tax refund income by \$1000, from which defendants extracted their exorbitant fees.

50. On or about February 16, 2010, Goitom fabricated more educational expenses in order to obtain a larger refund for Customer 10 and to charge larger fees. The customer told

Goitom that she attended one class for which she was charged a total of \$300. Goitom prepared a federal tax return for Customer 10, on which he reported that she incurred \$4,000 in education expenses—and which resulted in a fraudulently inflated refund.

51. Another preparer at Tsehaye's Instant Tax Service store at 10012 West Florissant Avenue, Saint Louis, Missouri, prepared a 2010 federal income tax return for Customer 11 sometime before February 24, 2011. The customer did not incur any education expenses in 2010, either on behalf of herself or her children, and never told the preparer that she did so. Notwithstanding, the Instant Tax Service employee prepared a fraudulent tax return showing that Customer 11 had \$2,200 of qualified education expenses. The preparer falsely claimed the education credit to allow Instant Tax Service to retain a portion of the illegally inflated refund as a fee.

52. Likewise, on or around February 24, 2011, an employee at Tsehaye's Instant Tax Service franchise at 1409 North Grand Street, Saint Louis, Missouri, fraudulently indicated on Customer 12's return that he incurred \$2,500 in qualified education expenses eligible for the American Opportunity Credit. In fact, the taxpayer neither attended college, nor had any qualified education expenses for tax year 2010. Although Customer 12 mentioned to the preparer that he had recently obtained his GED, he did not incur any expenses in doing so, nor would they have been qualified higher education expenses even if he had. As a result of the Instant Tax Service preparer's education credit fraud, Customer 12 received an illegally inflated refund of over \$500.

e. Fraudulently Claiming False Filing Status

53. Tsehaye's Instant Tax Service employees also routinely prepare tax returns

reporting false filing status. In particular, married couples living together are often improperly instructed to each file separately using the “head-of-household” or “single” filing status—both of which are unavailable to married couples who reside together. Often, this is an attempt to increase the claimed EITC, because, for example, a couple with at least two children who, together, would otherwise receive a single EITC refund of \$5,000 by properly claiming “married, filing jointly,” may instead each receive a refund of \$3,000 or more, by both falsely claiming head-of-household or single status and each claiming at least one dependent.

54. For instance, on or about January 15, 2011, one of Tsehaye’s Instant Tax Service employees at 2411 State Street, East Saint Louis, Illinois, prepared a tax return for Customer 13 claiming false filing status. Customer 13 told the preparer that he was married during the 2010 tax year, that his wife also works, and that they have children. The preparer told the taxpayer that he was going to claim head-of-household status for him and claim one dependent, because that way he would get more money than if he filed married, either jointly or separately. That would also allow his wife to file her own return. Customer 13 specifically asked the Instant Tax Service preparer whether claiming head-of-household was legal, since he was married the entire year. The preparer said yes, and then prepared and filed Customer 13’s return as head-of-household. This fraudulently increased Customer 13’s refund.

55. Another instance occurred on or about January 26, 2011, when an employee at Tsehaye’s Instant Tax Service store on 1409 North Grand Street, Saint Louis, Missouri, prepared a false federal tax return for Customer 14 for the 2010 tax year. Tsehaye’s employee asked Customer 14 no questions to determine her legal filing status. Notwithstanding, the customer volunteered that she lived with her mother throughout the entire year. Despite knowing that

Customer 14 might not be eligible, the preparer claimed head-of-household status on the return. In fact, Customer 14's mother provided over fifty-percent of the household support—making the customer ineligible to file as head-of-household. The false filing status illegally increased the customer's refund, from which Instant Tax Service took a fee of nearly \$600.

56. On or around January 27, 2011, Goitom prepared Customer 15's 2010 federal tax return. The customer specifically told Goitom that he was married and lived with his wife throughout 2010. However, Customer 15's wife owed back child support. To prevent those obligations from being deducted from the refund issued jointly to the couple, Goitom prepared and filed a federal tax return for Customer 15 that illegally claimed head-of-household filing status.

f. Fraudulently Filing Without Consent and Omitting Income

57. Another widespread practice at Tsehaye's Instant Tax Service stores is filing "estimated" income tax returns without the customer's permission, as well as omitting income from customers' returns.

58. Tsehaye's Instant Tax Service offices target low-income taxpayers, many of whom are in urgent need of money quickly. Frequently, these customers inquire about the company's various—but false and deceptive—loan products (discussed below), in the hope of securing an advance on an expected refund. Other customers come in seeking to obtain an early estimate of their possible refund amount, prior to filing their tax return. In both cases, defendants instruct employees to have those customers complete an "estimated" income tax return. Instant Tax Service says the basic information is needed to determine whether the customer qualifies for the loan or to get an accurate estimate. Defendants also tell customers that

to qualify for any loan they must sign the purported estimated return and other tax forms authorizing defendants to file the return, but promise that the estimated return won't actually be filed with the IRS. Later, however, defendants routinely and illegally file those estimated income tax returns without the customers' knowledge, contrary to their promises not to do so.

59. Defendants file estimated tax returns without the customers' consent to "lock-in" those prospective customers. This effectively prevents the customer from later filing with a competitor, because a taxpayer can file only one electronic return with the IRS per year. Most importantly, it also generates an unauthorized refund and guarantees Instant Tax Service that it will receive its unconscionably high tax preparation and junk fees, which are paid directly from the customer's refund only after the return has been electronically filed.

60. Instant Tax Service prepared estimated returns for Customers 6, 8, and 13 (discussed above), for example, and defendants' employees filed those returns without the customers' express authorization. So did one of Tsehaye's employees at his 2122 East 12th Street, Kansas City, Missouri, location in connection with Customer 16. The customer brought in two paystubs for an early season loan in December 2010. The Instant Tax Service employee prepared an estimated return for Customer 16 and told her the return would not be filed until after she brought in her W-2s. Before she could bring in her W-2s, Customer 16 received a text message stating her refund had arrived. Instant Tax Service had filed a return and deducted more than \$700 from Customer 16's refund for supposed tax preparation and other fees.

61. Another aspect of Instant Tax Service's practice of filing tax returns without customer authorization is the deliberate failure to ask customers about or simply ignoring additional sources of income that cannot increase a refund. Defendants and their employees

consciously fail to ask about or deliberately omit unemployment benefits, for example, which are taxable but are not treated as “income” for purposes of calculating the EITC. They also deliberately fail to ask about other sources of income once they reach the target amount of approximately \$15,000 that yields the highest EITC. And they purposely prepare returns using paystubs—before employers and payors are required to issue W-2s and 1099s showing the full amount of income and taxable benefits paid to Instant Tax Service’s customers.

62. Customer16 (discussed above), for example, received a 2010 distribution after Instant Tax Service had already prepared and filed her return using paystubs. When the taxpayer brought the 1099R reflecting the distribution to the preparer’s attention, the preparer wrongly told Customer 16 to declare that money on the next year’s return.

63. Similarly, on approximately March 1, 2011, at Tsehaye’s Instant Tax Service Store located at 1330 Aubert Street, Saint Louis, Missouri, one of Tsehaye’s employees prepared a tax return for Customer 17. The customer gave the preparer a Form 1099-G from the State of Missouri that stated Customer 17 received \$8,275 in unemployment compensation. The preparer acknowledged that the full amount was taxable, but then entirely omitted it from Customer 17's gross income. The preparer did so because it allowed him to fraudulently inflate Customer 17's EITC refund. If, instead, the preparer had properly included Customer 17's unemployment compensation on the return, the customer’s refund and Instant Tax Service’s exorbitant fees would have been substantially reduced.

g. False and Deceptive Loan Products

64. Defendants also peddle false and deceptive loan products to their tax preparation customers. These purported loan products include the Instant Cash Loan (“ICL,” also called the

Instant Cash Advance), and the Refund Anticipation Loan (“RAL,” also called the Refund Anticipation Advance).

65. Defendants begin offering the ICL (also called the “Holiday Loan” and “Instant Cash Advance”) to the public in December and early January before the tax-filing season begins. Ostensibly, ICLs are small and purportedly non-recourse loans intended to get customers in the door, with the hope that these customers will voluntarily return to have their tax returns filed when the filing season begins and after they receive their W-2s. In reality, the ICLs provide cover to enable Instant Tax Franchisees to prepare and file tax returns based on paycheck stubs rather than W-2s and file without customer authorization.

66. Because defendants offer the ICLs before the filing season even begins, most of their customers do not yet have their W-2s. Thus, defendants’ employees complete loan applications using the customer’s last paycheck stub, along with an “estimated” tax return. Although Instant Tax Service purports to prepare estimated returns merely as part of the loan application process, as discussed above, defendants and their employees routinely file these returns without awaiting W-2s. They also often file without customer authorization. This practice generates an unauthorized refund and guarantees defendants that they will receive their unconscionably high tax preparation and junk fees, which are paid directly from the customer’s refund only after the return has been electronically filed.

67. Once the IRS begins accepting tax returns in mid-January, defendants market the RAL product. The RAL is a recourse loan that uses the customer’s expected tax refund as collateral. RAL funds are advanced to a customer only after Instant Tax Service has prepared and filed the customer’s federal tax return and the return has been accepted by the IRS.

68. Tax Tree, LLC is Instant Tax Service's primary ICL and RAL provider. Instant Tax Service's 2010-2011 "Bank Product Application" states that Tax Tree "is not affiliated with the Tax Preparer." ITS Financial franchise agreements likewise declare that its loan products will be financed "by one or more banks that are not affiliated with ITS." Tax Tree also supposedly is headquartered in Miami, Florida.

69. In fact, ITS Financial owner and CEO Fesum Obgbazion is also the sole owner and CEO of Tax Tree. Tax Tree's Miami office is empty and has no employees. Tax Tree operates out of ITS Financial's headquarters and uses ITS Financial personnel to market and process loans. Tax Tree also is substantially undercapitalized and has been from its inception. Tax Tree's actual relationship to ITS Financial and Instant Tax Service is not disclosed to customers who apply for the loans. Nor is the fact that it is undercapitalized. Rather, loan documentation provided to Instant Tax Service customers suggests that Tax Tree is a viable, independent, third-party lender.

70. Defendants tell customers that they can receive cash loans of \$1,000 or more within 48 hours as part of the ICL and RAL programs. Most of defendants' customers, however, are either denied the loans outright, or receive loan amounts that are so small that they are subsumed by the accompanying junk fees alone, before factoring in the exorbitant tax preparation fees. Because Tax Tree is undercapitalized, overall loan denial rates at times exceed 90%. Certain types of customers receive automatic denials of their loan applications, but those customers are still encouraged to apply to increase defendants' profits.

71. As discussed above, Instant Tax Service charges customers bogus fees for "service bureau," "document preparation," "refund estimate," "technology/software," "account

set up,” “check printing,” and “Efile/electronic transmission.” Even customers whose loan applications are denied are still charged the following four junk fees by ITS Financial and Tax Tree: “electronic transmission,” “technology,” “account set up,” and “check-print.”

72. Apart from being profitable in their own right, the false and deceptive loan products principally serve as an inducement for people to have their tax returns prepared and filed by defendants’ Instant Tax Service stores. This enables defendants to charge them unconscionably high tax preparation fees and junk fees, which are paid directly from the customer’s refund only after the return has been electronically filed.

h. Deficient “Training” and Unqualified Tax Preparers

73. Defendants intentionally recruit unsophisticated individuals, with little or no return-preparation experience, to become tax preparers. In addition, defendants knowingly hire people with felony criminal records to work as tax preparers. Defendants conduct minimal training, which in the past has ranged from a few days to two weeks. Defendants know that inadequate training leads to the filing of inaccurate, incomplete, and false tax returns.

74. Defendants fail to teach their preparers critical elements related to basic tax return preparation. Moreover, Tsehaye affirmatively instructs his employees to deliberately circumvent certain mandatory due diligence requirements and methods for detecting fraud. This includes encouraging preparers to create fake W-2s, use bogus EIN numbers, and to alter the dates on their computers so that the tax preparation software thinks that returns and due diligence documents are being filled out in mid-January, instead of earlier, so as to avoid IRS penalties for preparing and stockpiling returns significantly before the first day permitted for filing returns.

75. Tsehaye’s training also fails to give return preparers the knowledge or experience

to properly and consistently complete basic income tax returns—let alone more complicated tax returns, such as those requiring Schedules A and C. This lack of training further contributes to the preparation of inaccurate, incomplete, and false tax returns.

76. Defendants also knowingly expose their employees to possible civil and criminal liability, by falsely telling them that they are not legally responsible for preparing tax returns containing false or fraudulent information, and that such responsibility falls solely on the customer.

Harm to the Public and Necessity of Injunction

77. Tseyahé's Instant Tax Service and the defendants' fraudulent and predatory practices harm the public and the United States Treasury.

78. Defendants' fraudulent and predatory practices harm the public by illegally causing their customers to incorrectly report their federal tax liabilities and underpay their taxes. Defendants also harm their customers by charging them unconscionably high tax preparation and junk fees to prepare false or fraudulent tax returns that understate their correct income tax liabilities. Defendants further harm their customers by subjecting them to possible civil and criminal sanctions resulting from the false and fraudulent tax returns. Compounding defendants' harm, many of their customers are unsophisticated, low-income taxpayers, who have little or no ability to repay the illegal refunds (and accompanying penalties and interest) that defendants' fraud procures. Finally, defendants exploit and harm their customers by selling them false and deceptive loan products tied to anticipated tax refunds.

79. Defendants' fraudulent practices likewise harm the United States Treasury. The government estimates that defendants' misconduct in the Kansas City metro area resulted in a

tax loss to the Treasury of approximately \$2.3 million for returns prepared in 2011 alone. This estimate was derived from a statistically random sample of the more than 2000 tax returns prepared by the defendants in Kansas City, Kansas and Missouri. Based on an examination of information from nearly 100 taxpayers, the IRS determined that over 60% of the tax returns prepared by defendants' were non-compliant.

80. The defendants' misconduct further harms the United States and the public by requiring the IRS to devote scarce resources to detecting the fraud and assessing and collecting lost tax revenues from defendants' customers. For instance, prior to the investigation that led to the discovery of defendants' tax fraud described in this complaint, IRS employees spent hundreds of hours conducting audits of hundreds of tax returns prepared by defendants' Instant Tax Service offices in 2008, 2009 and 2010. The vast majority of those audits resulted in adjustment. In addition, IRS employees devoted still more time in 2009 and 2010 making compliance visits to Tsehaye's Kansas and Missouri franchises and issuing warnings to defendants. In connection with and following those IRS actions, defendants obstructed the IRS by among other things, fabricating federal tax documents including W-2s. Consequently, identifying and recovering all lost tax revenues resulting from defendants' fraud and illegal activities may be impossible.

81. In addition, defendants' misconduct harms their employees. Defendants knowingly expose their employees to possible civil and criminal liability, by falsely telling them that they are not legally responsible for preparing tax returns containing false or fraudulent information, and that such responsibility falls solely on the customer.

82. The defendants' fraudulent tax return preparation also harms legitimate tax return

preparers who refuse to engage in such illegal conduct. Legitimate tax return preparers unfairly lose business to defendants as a result of the defendants' willingness to break the law.

83. Finally, defendants' flagrant misconduct harms the public at large by undermining public confidence in the federal tax system and encouraging widespread violations of the internal revenue laws.

84. The harm to the government and the public will increase unless defendants are enjoined because—given the seriousness and pervasiveness of their illegal conduct—without an injunction defendants and their employees are likely to continue preparing false and fraudulent federal income tax returns for customers. An injunction will serve the public interest because it will put a stop to defendants' illegal conduct and the harm that such conduct causes the United States and its citizens.

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

85. The United States incorporates by reference the allegations in paragraphs 1 through 84.

86. 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.

87. Defendants, through their actions detailed above, caused the presentation and preparation of false, fraudulent and abusive tax returns and other documents. In addition, defendants procured and assisted in the preparation of false and fraudulent tax returns by encouraging the filing of tax returns they knew were false or fraudulent, and by employing and supervising tax return preparers engaging in tax fraud.

88. Defendants' actions resulted in the understatement of many of their customers' tax liabilities. Given defendants' roles, defendants knew that their actions would lead to the understatement of their customers' tax liabilities.

89. Given their occupations, defendants are likely to continue violating the law absent an injunction. Tax return preparation is Instant Tax Service's principal source of revenue. To maximize that income, defendants' employees prepare fraudulent returns. That fraudulent conduct, in turn, gives Instant Tax Service a competitive edge over law-abiding preparers. It also provides a means for defendants to further exploit their unsophisticated customers by charging them unconscionably high fees, while defendants' fraud simultaneously and callously exposes their customers to possible civil and criminal liability. 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.

90. 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

91. The United States incorporates by reference the allegations in paragraphs 1

through 90.

92. 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 includes, among other things, the following:

- a. Engaging in conduct subject to penalty under I.R.C. § 6694(a), which penalizes a return preparer who prepares a return or claim for refund that contains an unreasonable position and the return preparer knew (or reasonably should have known) of the position;
- b. Engaging in conduct subject to penalty under I.R.C. § 6694(b), which among other conduct, penalizes a return preparer who recklessly or intentionally disregards IRS rules or regulations;
- c. Engaging in conduct subject to penalty under I.R.C. § 6695(g), which penalizes a return preparer who fails to comply with the statutory due diligence requirements;
- 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.

93. 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.

94. 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.

95. Defendants, as shown above, are tax preparers who repeatedly and continually prepare or submit returns or portions of returns (or employed or managed others who prepare or submit returns or portions of returns) that contain unreasonable positions and substantially understate the liability for tax on the return. Defendants also instruct and direct employees of Instant Tax Service to engage in tax fraud, and to prepare federal income tax returns asserting unreasonable, unrealistic, frivolous and fraudulent positions. Accordingly, defendants knew (or reasonably should have known) of the unreasonable, unrealistic, frivolous and fraudulent positions.

96. Defendants, as also detailed above, continually and repeatedly engage in conduct subject to penalty under I.R.C. § 6694(b) by: (1) wilfully attempting to understate their customers' tax liabilities or directing others to do so; and by (2) intentionally or recklessly disregarding pertinent rules and regulations. This conduct is subject to penalty under I.R.C. § 6694.

97. Furthermore, defendants, as evidenced throughout the complaint, continually and repeatedly engage in conduct subject to penalty under I.R.C. § 6695(g). Defendants not only fail to satisfy the mandatory due diligence requirements of I.R.C. § 6695(g) and Treas. Reg. § 1.6695-2(b), they deliberately circumvent them. Defendants also teach others to circumvent these due diligence requirements and to falsify federal tax records.

98. In addition, 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) creating and directing the preparation of fabricated tax documents, such as fabricated W-2s; (3) preparing tax returns with end-of-year paystubs that omit income and distributions and necessarily result in errors and omissions on the returns; (4) encouraging and soliciting customers to provide false and fraudulent information for the purpose of filing false tax refund claims; and (5) teaching employees to deliberately circumvent the statutory due diligence requirements. All of this constitutes conduct that may and should be enjoined under I.R.C. § 7407(b).

99. Defendants repeatedly and continuously engaged in egregious and illegal conduct subject to injunction under I.R.C. § 7407, even after being penalized and warned by the IRS to comply with the law. Defendants not only consciously chose to disregard those warnings, they engaged in further tax fraud, taught employees to engage in tax fraud, and actively concealed their fraud from the IRS. Penalties alone will not change defendants' behavior because they view such measures as the cost of doing business.

100. Defendants' and their employees' actions are so egregious they demonstrate that a narrow injunction prohibiting only specific conduct would be insufficient. Accordingly, defendants should be permanently barred from acting as federal tax 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

101. The United States incorporates by reference the allegations in paragraphs 1 through 100.

102. 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.

103. 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.

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

105. The tax returns defendants prepared for their customers improperly and illegally reduced their federal income tax liabilities. In addition, defendants' actions directing the preparation of tax returns containing false and fraudulent information, teaching employees to engage in tax fraud, directing the preparation of phony tax documents, filing returns without taxpayers' permission, and instructing employees to fabricate responses to statutory due diligence requirements, directly results in, as defendants know and intend, the filing of false, fraudulent and incorrect tax returns.

106. An injunction is necessary to stop defendants' tax fraud, and should prohibit defendants from, directly or indirectly, as detailed further below: (1) improperly instructing, advising, encouraging, enabling, inciting or assisting customers to avoid the assessment or

collection of their federal tax liabilities or to claim improper tax refunds; (2) organizing, promoting, selling, advising, implementing, carrying out, assisting, supervising or managing, abusive plans or arrangements that violate the Internal Revenue laws; (3) organizing, promoting, providing, advising, or selling business or tax services that facilitate or promote noncompliance with federal tax laws; and (4) otherwise engaging in conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

107. 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. Such conduct includes: (1) creating and directing the preparation of fabricated tax documents, such as fabricated W-2s; (2) preparing tax returns with end-of-year paystubs that omit income and distributions and necessarily result in errors and omissions on the returns; (3) failing to adequately train their preparers, knowing that such inadequate training will lead to the filing of false and inaccurate returns; (4) illegally filing tax returns without the taxpayer's authorization; (5) selling false and deceptive loan products tied to anticipated tax refunds; and (6) teaching employees to deliberately circumvent the statutory due diligence requirements. Moreover, the United States will suffer irreparable harm from the underpayment of tax liability, the exhaustion of limited resources to enforce the internal revenue laws, and the tax losses caused by defendants' actions will continue to increase.

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

109. Enjoining defendants is in the public interest because an injunction, backed by the Court's contempt powers if needed, will stop defendants' predatory practices and 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 for 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 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, 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, 7407 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 aiding, instructing, assisting, encouraging, enabling, inciting, or advising (or supervising or managing others who aid, instruct, assist, encourage, enable, incite, or advise) 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 tax of another person;
- c. Organizing, promoting, selling, advising, implementing, carrying out, assisting, supervising, or managing abusive plans or arrangements that violate the Internal Revenue laws;
- d. Aiding, instructing, assisting, encouraging, enabling, inciting, or advising (or supervising or managing others who aid, instruct, assist, encourage, enable, incite, or advise) 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;
- e. Improperly aiding, instructing, assisting, encouraging, enabling, inciting, or advising (or supervising or managing others who improperly aid, instruct, assist, encourage, enable, incite, or advise) customers to avoid the assessment or collection of their federal tax liabilities or to claim improper tax refunds.
- f. Engaging in any activity subject to penalty under I.R.C. § 6695, including failing to (or supervising or managing others who fail to) exercise due diligence in determining customers' eligibility for the Earned Income Tax Credit;
- g. Organizing, promoting, providing, advising, or selling (or supervising or managing others who organize, promote, provide, advise or sell) business or tax services that facilitate or promote noncompliance with federal tax

laws; and

- h. 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, 2010, 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 the 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, e-mail, 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.

Requested place of trial: Kansas City, Kansas

Dated: March 28, 2011.

Respectfully submitted,

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