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9
10 IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF CALIFORNIA

11 UNITED STATES OF AMERICA
Plaintiff,

12 v.

13 KEN MENDOZA, dba Mendoza Business
14 Services; and ALICE MENDOZA, dba
Mendoza Business Services.

15 Defendants.

Case No.

COMPLAINT FOR PERMANENT
INJUNCTION AND OTHER
EQUITABLE RELIEF

16
17 The United States of America (“United States”), through its undersigned counsel,
18 complains and alleges as follows:

19 1. This is a civil action brought by the United States under 26 U.S.C. §§ 7402(a) and
20 7407 to enjoin Ken Mendoza and Alice Mendoza, and anyone in active concert or participation
21 with them, from:
22

1 a. acting as a federal tax return preparer or requesting, assisting in, or directing the
2 preparation or filing of federal tax returns, amended returns, or other related documents or forms
3 for any person or entity other than himself/herself;

4 b. preparing or assisting in preparing or filing federal tax returns, amended returns,
5 or other related documents or forms that he/she knows or reasonably should know will result in
6 an understatement of federal tax liability or the overstatement of federal tax refunds as prohibited
7 by 26 U.S.C. § 6694;

8 c. engaging in any other activity subject to penalty under 26 U.S.C. § 6694 or any
9 other penalty provision in the Internal Revenue Code; and

10 d. engaging in any conduct that substantially interferes with the proper
11 administration and enforcement of the internal revenue laws.

12 JURISDICTION AND VENUE

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

16 3. Jurisdiction is conferred on the Court by 28 U.S.C. §§ 1340 and 1345 and 26
17 U.S.C. §§ 7402(a) and 7407.

18 4. Venue is proper in this Court under 28 U.S.C. §§ 1391 and 1396 because Ken
19 Mendoza and Alice Mendoza reside in this judicial district and a substantial part of the actions
20 giving rise to this suit took place within this judicial district.

21 DEFENDANTS

22 5. Ken Mendoza and Alice Mendoza reside in Fresno, California, and have an office
in their home, which is within the jurisdiction of this Court.

1 6. Ken Mendoza and Alice Mendoza are paid federal tax return preparers who
2 operate through a business sometimes referred to as “Mendoza Business Services.”

3 7. Ken Mendoza, who has an undergraduate degree from California State University,
4 Fresno, and a law degree from San Joaquin College of Law, has been preparing federal tax
5 returns since 2001.

6 8. Alice Mendoza, who has an undergraduate degree from California State
7 University, Fresno, has been preparing federal tax returns since she graduated from high school
8 in 1954.

9 9. Mendoza Business Services was established by Alice Mendoza in 1965. Alice
10 Mendoza attended Federated Tax School and completed H&R Block tax courses. Ken Mendoza
11 took on-line courses in order to meet the requirements to prepare tax returns.

12 10. Alice Mendoza has had preparer penalties assessed against her pursuant to 26
13 U.S.C. §§ 6694, 6695, and 6701, by the Internal Revenue Service (“IRS”) as far back as 1985.
14 These include penalties for understatement of tax due to unrealistic positions, understatement of
15 tax due to willful or reckless misconduct, failure to sign a return, and failure to provide her return
16 preparer identifying number on returns she prepared. Despite these penalties, Alice Mendoza
17 continues to operate her business in the same manner as she did before any assessed penalties.
18 Alice Mendoza alleged that she stopped preparing returns in 2009. However, recent customers
19 have stated that she prepared returns for them. She also signed at least six returns as a return
20 preparer for the 2012 tax year. Upon information and belief, she has prepared many more
21 returns, as it is her practice to not sign many of the returns she prepares.

22 11. Ken Mendoza has continuously operated his accounting and tax return preparation
business in Fresno from 2001 through the present. Ken Mendoza is known to have prepared

1 returns for over 600 clients. However, this number is likely understated as upon information and
2 belief, Ken Mendoza does not sign many of the returns he prepares.

3 DEFENDANTS' ACTIVITIES

4 12. For approximately the past 12 years, and continuing to the present, Ken Mendoza
5 has been engaged in the preparation of tax returns, acting as a paid income tax return preparer for
6 individuals (sometimes referred herein as "customers"). Defendant currently offers tax return
7 preparation services through his sole proprietorship, which he owns and operates with Alice
8 Mendoza.

9 13. Alice Mendoza has prepared returns for over 45 years. Despite numerous IRS
10 penalties assessed against her as described in paragraph 10, above, she continues to prepare
11 returns to the present day.

12 14. Ken Mendoza and Alice Mendoza have continually and repeatedly engaged in
13 fraudulent and deceptive conduct which has substantially interfered with the proper
14 administration of the Internal Revenue laws as they have, among other things, improperly and
15 purposefully reduced and understated customers' tax liabilities by fabricating business expenses,
16 claiming false or inflated credits, and deducting personal expenses which are not legally
17 deductible. This has resulted in inflated refunds in most cases.

18 15. Ken Mendoza and Alice Mendoza have continually and repeatedly engaged in
19 conduct subject to penalty under 26 U.S.C. § 6694 as they have, among other things, (1) taken
20 unrealistic and unsustainable positions on customers' tax returns, resulting in understatements of
21 tax due, (2) willfully understated the tax due (and, in nearly every case, overstated a refund due)
22 on customers' tax returns, and (3) recklessly or intentionally disregarded the rules and
regulations pertaining to the preparation of tax returns.

SPECIFIC ALLEGATIONS REGARDING DEFENDANTS' CONDUCT

1
2 16. At all times relevant hereto, Ken Mendoza and Alice Mendoza's typical
3 customers are Hispanic, and many of them speak little, if any, English. Ken Mendoza and Alice
4 Mendoza advertise mainly by word of mouth but have also utilized flyers and a social
5 networking website. Customers typically are referred by friends, coworkers, and/or relatives
6 who have received refunds through Ken Mendoza and Alice Mendoza. Ken Mendoza and Alice
7 Mendoza are known in the local community for preparing returns which provide large refunds.

8 17. During the first customer meeting with the return preparer, the customers
9 sometimes provide Ken Mendoza or Alice Mendoza with tax documents, which generally consist
10 of Forms W-2's, 1099's, and 1098's, as well as their children's social security numbers, when
11 applicable. Ken Mendoza and Alice Mendoza do not request receipts or other supporting
12 documentation from the customer, nor make any reasonable inquiries to determine and
13 substantiate the actual amounts of any expenses. If the customer in previous tax years has met
14 with Ken Mendoza or Alice Mendoza to have their returns prepared, they are generally asked
15 only if anything has changed from the prior year. The customers generally meet with Ken
16 Mendoza or Alice Mendoza for 10-15 minutes.

17 18. Ken Mendoza and Alice Mendoza fabricate or inflate deductions for Schedule A
18 State sales tax, mortgage interest, dependents, and Employee Business Expenses. Ken Mendoza
19 and Alice Mendoza also fraudulently claim education credits for many customers, to which they
20 know the taxpayers are not entitled. By preparing their customers' returns in this manner, Ken
21 Mendoza and Alice Mendoza create phony expenses and credits so that they can offset the
22 customers' legitimate income and wages in order to fraudulently reduce their income tax liability
resulting in a fraudulent refund being issued to them by the IRS.

1 19. Ken Mendoza and Alice Mendoza do not point out or explain these bogus credits
2 and deductions to their customers. At the time the customers pick up their returns, they pay
3 generally in cash and receive a package containing the returns. Ken Mendoza and Alice
4 Mendoza do not discuss the returns with the customers and do not allow the customers to ask any
5 questions. In one instance, a customer was given a blank form to sign at an initial meeting, and
6 then given their tax return in a sealed envelope. Several clients stated that when they received
7 notices from the IRS, they went to Ken Mendoza and Alice Mendoza for help and were turned
8 away.

9 20. In nearly every case, Ken Mendoza and Alice Mendoza appear to have
10 improperly generated false deductions large enough to create an inflated refund.

11 21. Ken Mendoza and Alice Mendoza also failed to sign many of the returns they
12 have prepared. For instance in 2010, Ken Mendoza signed only 75 returns, but had over 600
13 clients for the same tax year. In 2010, Alice Mendoza signed only 3 returns, but was identified
14 as preparing at least 18 returns.

15 EXAMPLES OF KEN MENDOZA’S CUSTOMER EXPERIENCES

16 22. One customer couple, “Customer 1,” paid Ken Mendoza to prepare their 2009,
17 2010, and 2011 tax returns after being referred to Ken Mendoza by a friend. The returns Ken
18 Mendoza prepared included numerous fraudulent items. For the 2010 tax year, Customer 1-
19 Husband told Ken Mendoza that he attended community college. Ken Mendoza then prepared
20 the return reporting that both Customer 1-Husband and Customer 1-Wife had \$4,000 each in
21 qualified education expenses. Ken Mendoza similarly prepared Customer 1’s 2010 and 2011
22 returns claiming mileage and meal expenses. They did not have any documentation to support
the claims, nor did they provide any documentation to Ken Mendoza. Moreover, Customer 1-

1 Wife told Ken Mendoza that her employer reimburses her mileage. Ken Mendoza's fraudulent
2 return preparation resulted in the returns reporting refunds due to Customer 1 that were too large.
3 Ken Mendoza did not sign the 2010 return he prepared.

4 23. Another customer, "Customer 2," utilized Ken Mendoza's services for the 2010
5 and 2011 tax years. Customer 2 was referred to Ken Mendoza by a family member. Customer 2
6 has never met Ken Mendoza. Customer 2's father delivered Customer 2's Form W-2 to Ken
7 Mendoza, who prepared his returns for a fee. Customer 2 did not incur any post-secondary
8 educational expenses in 2010 or 2011. However, Ken Mendoza claimed educational expenses of
9 over \$2,000 in both years. Ken Mendoza also claimed Employee Business Expenses on
10 Customer 2's 2010 and 2011 tax returns. Customer 2 did not have any Employee Business
11 Expenses, nor did he provide any documentation to Ken Mendoza to support such claims.
12 Finally, in 2010 and 2011, Ken Mendoza claimed that Customer 2 paid State taxes in the form of
13 general sales tax instead of reporting that the State withheld income tax from his wages. Ken
14 Mendoza's fraudulent return preparation resulted in the returns reporting refunds due to
15 Customer 2 that were too large. Ken Mendoza did not sign the 2010 return he prepared.

16 24. Another customer couple, "Customer 3," paid Ken Mendoza to prepare their tax
17 returns for the 2010 and 2011 tax year. Customer 3 was referred to Ken Mendoza by a friend
18 and coworker. Customer 3 went to Ken Mendoza's home office and stated it was so busy that
19 there was a line and people were being turned away. Customer 3 does not read or speak English.
20 Customer 3 provided Ken Mendoza with their Form W-2's and nothing else. Ken Mendoza did
21 not explain any of the information contained on the returns. In 2010 and 2011, Ken Mendoza
22 claimed education credits for Customer 3-Husband and Customer 3's minor child. Customer 3-
Husband did not attend any postsecondary educational institute in 2010 or 2011, and his minor

1 child was too young to qualify for any educational credit Ken Mendoza's fraudulent return
2 preparation resulted in the returns reporting refunds due to Customer 3 that were too large.

3 25. Another customer, "Customer 4," paid Ken Mendoza to prepare his tax returns for
4 the 2011 and 2012 tax years. Ken Mendoza signed the 2011 tax return, but not the 2012 tax
5 return. Customer 4 did not attend a post-secondary educational institution in 2012; however, Ken
6 Mendoza claimed educational expenses of \$1,200. Ken Mendoza also reported business income
7 and expenses in 2011 and 2012 for services that Customer 4 provided to care for his nieces and
8 nephews and for which he was paid by the State. For both 2011 and 2012, Customer 4's returns
9 reported business expenses, despite the fact that Customer 4 had no business; all expenses were
10 completely fabricated. Finally, in 2011 and 2012, Ken Mendoza reported Customer 4's sister as
11 a dependent when Customer 4 did not meet any of the requirements to claim her as a dependent.
12 Ken Mendoza's fraudulent return preparation resulted in the returns reporting refunds due to
Customer 4 that were too large.

13 EXAMPLES OF ALICE MENDOZA'S CUSTOMER EXPERIENCES

14 26. One customer, "Customer 5," utilized Alice Mendoza's services for a fee for the
15 2010 and 2011 tax years. Customer 5 was referred to Alice Mendoza by a friend. The only
16 documentation she provided to Alice Mendoza was a Form W-2. Customer 5 did not have any
17 post-secondary educational expenses in 2010 or 2011; however, Alice Mendoza claimed
18 educational expenses of over \$3,000 in both years. Customer 5 provided no documentation to
19 support this credit. The credit was fabricated entirely by Alice Mendoza. Alice fraudulent return
20 preparation resulted in the returns reporting refunds due to Customer 5 that were too large. Alice
21 Mendoza did not sign the returns for the 2010 and 2011 tax years; however Ken Mendoza did
22 sign both returns as the return preparer.

1 27. Another customer, "Customer 6," utilized Alice Mendoza's services for the 2010
2 tax year. Customer 6 did not incur any post-secondary educational expenses in 2010; however,
3 Alice Mendoza claimed educational expenses of \$4,000. Alice Mendoza also claimed Employee
4 Business Expenses on Customer 6's 2010 tax return. Customer 6 did not have any Employee
5 Business Expenses, as all such expenses were reimbursed by his employer. Finally, in 2010,
6 Alice Mendoza claimed that Customer 6 paid State taxes in the form of general sales tax instead
7 of reporting that the State withheld income tax from his wages. Customer 6 provided no
8 documentation to support this deduction. The deduction was fabricated entirely by Alice
9 Mendoza. Alice fraudulent return preparation resulted in the return reporting a refund due to
10 Customer 6 that was too large. Alice Mendoza did not sign the 2010 return she prepared.

11 28. Another customer, "Customer 7," paid Alice Mendoza to prepare his returns for
12 the 2010, 2011, and 2012 tax years. Alice Mendoza did not sign any of the returns and for the
13 2011 tax year, Ken Mendoza signed the return. However, Customer 7 stated that he worked with
14 Alice Mendoza, not Ken Mendoza. Customer 7 did not attend a post-secondary educational
15 institution in 2010 or 2012; however, Alice Mendoza claimed educational expenses in 2010 and
16 2012. Alice Mendoza also claimed inflated Mortgage Interest on Customer 7's 2010 and 2011
17 tax returns. Customer 7 was unaware that inflated amounts were being claimed in these years as
18 he provided to Alice Mendoza the proper documentation (Form 1098) to support the dollar
19 amount of Mortgage Interest that should have been claimed. Finally, in 2011 and 2012, Alice
20 Mendoza reported as a dependent the daughter of Customer 7's girlfriend and described their
21 relationship as a "stepchild." Customer 7 did not meet any of the requirements to claim the child
22 as a dependent and stated that he did not tell Alice Mendoza that the child lived with him. Alice

1 fraudulent return preparation resulted in the returns reporting refunds due to Customer 7 that
2 were too large.

3 INJURY TO THE UNITED STATES

4 29. Ken Mendoza's conduct harms the United States because his customers are
5 underreporting and underpaying their tax liabilities. The IRS has examined 108 federal income
6 tax returns that Ken Mendoza prepared for customers for the tax years 2010 and 2011, with a
7 total of \$523,520.00 in lost revenue (an average of \$3,483 and \$3,080 per return in 2010 and
8 2011, respectively) based on false claims and deductions. If this average deficiency per return
9 was spread over the universe of returns Ken Mendoza prepared, the IRS estimates that Ken
10 Mendoza's return preparation could have resulted in as much as \$2.8 million in revenue lost to
the United States for returns prepared for tax years 2010 and 2011.

11 30. Alice Mendoza's conduct harms the United States because her customers are
12 underreporting and underpaying their tax liabilities. Alice Mendoza's activities are directly
13 reflected in the loss that Ken Mendoza costs the United States because she prepares returns with
14 him, and sometimes prepares returns which he signs as the return preparer.

15 31. In addition to the direct harm caused by preparing tax returns that understate
16 customers' tax liabilities, Ken Mendoza and Alice Mendoza's activities undermine public
17 confidence in the administration of the federal tax system and encourage noncompliance with the
18 internal revenue laws.

19 32. Ken Mendoza and Alice Mendoza further harm the United States because the IRS
20 must devote its limited resources to identifying their customers, ascertaining their correct tax
21 liabilities, recovering any funds erroneously issued, and collecting additional taxes and penalties.

22 INJURY TO DEFENDANTS' CUSTOMERS

1 33. Ken Mendoza and Alice Mendoza's customers have been harmed because they
2 paid Ken Mendoza and Alice Mendoza fees to prepare proper tax returns, but Ken Mendoza and
3 Alice Mendoza prepared returns that substantially understated their customers' correct tax
4 liabilities or created or inflated improper refunds.

5 34. As a result of Ken Mendoza and Alice Mendoza's improper actions, many of their
6 customers have been required to file amended returns or undergo audits by the IRS. They have
7 incurred severe, and in most cases unanticipated, financial burdens due to their liability for
8 additional tax beyond the amount reported on their original returns, plus statutory interest.

9 COUNT I
 (Injunction under 26 U.S.C. § 7407)

10 35. The United States reallages and incorporates by reference paragraphs 1 through
11 34 of the Complaint.

12 36. Ken Mendoza and Alice Mendoza, by reason of their preparation of federal
13 income tax returns for which they were compensated, are income tax return preparers within the
14 meaning of 26 U.S.C. § 7701(a)(36).

15 37. Section 7407 of the Internal Revenue Code (26 U.S.C.) authorizes a district court
16 to enjoin a tax return preparer from engaging in conduct subject to penalty under 26 U.S.C. §
17 6694, which penalizes a return preparer who prepares a return that contains an understatement of
18 tax liability or overstatement of a refund that is due to an unreasonable position which the return
19 preparer knew or should have known was unreasonable, or engaging in any other fraudulent or
20 deceptive conduct that substantially interferes with the proper administration of the internal
21 revenue laws.
22

1 38. In order for a court to issue such an injunction, the court must find (1) that the
2 preparer has engaged in such conduct, and (2) that injunctive relief is appropriate to prevent the
3 recurrence of the conduct.

4 39. The court may permanently enjoin the person from further acting as a federal tax
5 preparer if it finds that a preparer has continually or repeatedly engaged in such conduct, and the
6 court further finds that a narrower injunction (i.e., prohibiting only that specific enumerated
7 conduct) would not be sufficient to prevent that person's interference with the proper
8 administration of the internal revenue laws.

9 40. Ken Mendoza and Alice Mendoza have continually and repeatedly engaged in
10 conduct subject to penalty under 26 U.S.C. § 6694 by either (a) recklessly or intentionally
11 disregarding rules and regulations in preparing the return of another person, resulting in an
12 understatement of federal tax liability for that person; or (b) willfully or recklessly understating
13 the federal tax liability of another person in preparing the return of that person; or both.

14 41. Ken Mendoza and Alice Mendoza's continual and repeated violations of Section
15 6694 fall within 26 U.S.C. § 7407(b)(1)(A) and (D), and thus they are subject to an injunction
16 under Section 7407.

17 42. If Ken Mendoza and Alice Mendoza are not enjoined, they are likely to continue
18 to prepare and file false and fraudulent tax returns, causing economic loss to the United States,
19 causing the United States to commit finite, scarce, and unrecoverable resources to the
20 examination of the Defendants and their customers, and exposing their customers to large
21 liabilities that include penalties and interest.

22 43. Ken Mendoza and Alice Mendoza's continual and repeated conduct subject to an
injunction under 26 U.S.C. § 7407, including their audacious and repeated bogus claims of

1 expenses and deductions, including fictitious educational expenses, fictitious business expenses,
2 and inflated mortgage interest deductions, demonstrates that a narrow injunction prohibiting only
3 specific conduct would be insufficient to prevent their interference with the proper
4 administration of the internal revenue laws. Thus, Ken Mendoza and Alice Mendoza should be
5 permanently barred from acting as tax return preparers.

6 COUNT II

7 (Injunction under 26 U.S.C. § 7402(a)—Necessary to Enforce the Internal Revenue Laws)

8 44. The United States reallages and incorporates by reference paragraphs 1 through
9 43 of the Complaint.

10 45. Section 7402 of the Internal Revenue Code (26 U.S.C.) authorizes a district court
11 to issue orders of injunction as may be necessary or appropriate for the enforcement of the
12 internal revenue laws.

13 46. Ken Mendoza and Alice Mendoza, through the actions described above, have
14 engaged in conduct that substantially interferes with the enforcement of the internal revenue
15 laws.

16 47. Unless enjoined, Ken Mendoza and Alice Mendoza are likely to continue to
17 engage in such improper conduct and interfere with the enforcement of the internal revenue laws.
18 If Ken Mendoza and Alice Mendoza are not enjoined from engaging in fraudulent and deceptive
19 conduct, the United States will suffer irreparable injury by wrongfully providing federal income
20 tax refunds to individuals not entitled to receive them, much of which will never be discovered
21 and recovered. The United States will also suffer irreparable injury because it will have to devote
22 substantial unrecoverable time and resources auditing Ken Mendoza and Alice Mendoza's
customers to detect future returns understating the customers' tax liabilities or overstating their
refunds.

1 48. While the United States will suffer irreparable injury if Ken Mendoza and Alice
2 Mendoza are not enjoined, they will not be harmed by being compelled to obey the law.

3 49. Enjoining Ken Mendoza and Alice Mendoza is in the public interest because an
4 injunction, backed by the Court's contempt powers if needed, will stop their illegal conduct and
5 the harm it causes the United States.

6 50. The Court should therefore impose injunctive relief under 26 U.S.C. § 7402(a).
7 WHEREFORE, Plaintiff, the United States of America, prays for the following relief:

8 A. That the Court find that Ken Mendoza has continually and repeatedly engaged in
9 conduct subject to penalty under 26 U.S.C. § 6694 and has continually and repeatedly engaged in
10 other fraudulent and deceptive conduct that substantially interferes with the administration of the
11 tax laws, and that injunctive relief is appropriate under 26 U.S.C. § 7407 to bar him from acting
12 as a federal tax return preparer and from engaging in conduct subject to penalty under 26 U.S.C.
§ 6694;

13 B. That the Court find that Ken Mendoza has engaged in conduct that substantially
14 interferes with the enforcement of the internal revenue laws, and that injunctive relief is
15 appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity
16 powers and 26 U.S.C. § 7402(a);

17 C. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter a permanent
18 injunction prohibiting Ken Mendoza, and all those in active concert or participation with him,
19 from:

20 (1) acting as federal tax return preparers or requesting, assisting in, or
21 directing the preparation or filing of federal tax returns, amended returns, or other related
22 documents or forms for any person or entity other than themselves;

1 (2) preparing or assisting in preparing or filing federal tax returns, amended
2 returns, or other related documents or forms that they know or reasonably should know will
3 result in an understatement of tax liability or the overstatement of federal tax refund(s);

4 (3) engaging in any other activity subject to penalty under 26 U.S.C. § 6694
5 or any other penalty provision in the Internal Revenue Code; and

6 (4) engaging in any conduct that substantially interferes with the proper
7 administration and enforcement of the internal revenue laws.

8 D. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter an injunction
9 requiring that Ken Mendoza, within 30 days of entry of the injunction, contact by United States
10 mail and, if an e-mail address is known, by e-mail, all persons for whom he prepared a federal
11 tax return since January 1, 2008, to inform them of the permanent injunction entered against Ken
12 Mendoza, including sending a copy of the order of permanent injunction but not enclosing any
13 other documents or enclosures unless agreed to by counsel for the United States or approved by
14 the Court, and file with the Court a sworn certificate stating that he has complied with this
15 requirement;

16 E. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter an injunction
17 requiring Ken Mendoza to produce to counsel for the United States within 30 days a list that
18 identifies by name, social security number, address, e-mail address, telephone number, and tax
19 period(s) all persons for whom he prepared federal tax returns or claims for refund since January
20 1, 2008;

21 F. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter an injunction
22 requiring Ken Mendoza to provide a copy of the Court's order to all of the principals, officers,
managers, employees, and independent contractors of his tax return preparation business within

1 fifteen days of the Court's order, and provide to counsel for the United States within 30 days a
2 signed and dated acknowledgment or receipt of the Court's order for each person to whom he
3 provided a copy of the Court's order;

4 G. That the United States be entitled to conduct discovery to monitor Ken Mendoza's
5 compliance with the terms of any permanent injunction entered against him;

6 H. That the Court retain jurisdiction over Ken Mendoza and over this action to
7 enforce any permanent injunction entered against him;

8 I. That the Court find that Alice Mendoza has continually and repeatedly engaged in
9 conduct subject to penalty under 26 U.S.C. § 6694 and has continually and repeatedly engaged in
10 other fraudulent and deceptive conduct that substantially interferes with the administration of the
11 tax laws, and that injunctive relief is appropriate under 26 U.S.C. § 7407 to bar her from acting
12 as a federal tax return preparer and from engaging in conduct subject to penalty under 26 U.S.C.
13 § 6694;

14 J. That the Court find that Alice Mendoza has engaged in conduct that substantially
15 interferes with the enforcement of the internal revenue laws, and that injunctive relief is
16 appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity
17 powers and 26 U.S.C. § 7402(a);

18 K. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter a permanent
19 injunction prohibiting Alice Mendoza, and all those in active concert or participation with her,
20 from:

21 (1) acting as federal tax return preparers or requesting, assisting in, or
22 directing the preparation or filing of federal tax returns, amended returns, or other related
documents or forms for any person or entity other than themselves;

1 (2) preparing or assisting in preparing or filing federal tax returns, amended
2 returns, or other related documents or forms that they know or reasonably should know will
3 result in an understatement of tax liability or the overstatement of federal tax refund(s);

4 (3) engaging in any other activity subject to penalty under 26 U.S.C. § 6694
5 or any other penalty provision in the Internal Revenue Code; and

6 (4) engaging in any conduct that substantially interferes with the proper
7 administration and enforcement of the internal revenue laws.

8 L. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter an injunction
9 requiring that Alice Mendoza, within 30 days of entry of the injunction, contact by United States
10 mail and, if an e-mail address is known, by e-mail, all persons for whom she prepared a federal
11 tax return since January 1, 2008, to inform them of the permanent injunction entered against
12 Alice Mendoza, including sending a copy of the order of permanent injunction but not enclosing
13 any other documents or enclosures unless agreed to by counsel for the United States or approved
14 by the Court, and file with the Court a sworn certificate stating that she has complied with this
15 requirement;

16 M. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter an injunction
17 requiring Alice Mendoza to produce to counsel for the United States within 30 days a list that
18 identifies by name, social security number, address, e-mail address, telephone number, and tax
19 period(s) all persons for whom she prepared federal tax returns or claims for refund since
20 January 1, 2008;

21 N. That the Court, pursuant to 26 U.S.C. §§ 7402(a) and 7407, enter an injunction
22 requiring Alice Mendoza to provide a copy of the Court's order to all of the principals, officers,
managers, employees, and independent contractors of her tax return preparation business within

1 fifteen days of the Court's order, and provide to counsel for the United States within 30 days a
2 signed and dated acknowledgment or receipt of the Court's order for each person to whom she
3 provided a copy of the Court's order;

4 O. That the United States be entitled to conduct discovery to monitor Alice
5 Mendoza's compliance with the terms of any permanent injunction entered against her;

6 P. That the Court retain jurisdiction over Alice Mendoza and over this action to
7 enforce any permanent injunction entered against her; and

8 Q. That the Court grant the United States such other and further relief, including
9 costs, as is just and equitable.

10 DATED this 7th day of March, 2014.

11 Respectfully submitted,

12 KATHRYN M. KENEALLY
Assistant Attorney General

13 /s/ Lauren M. Castaldi
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