

IN THE UNITED STATES DISTRICT COURT FOR THE
DISTRICT OF CONNECTICUT

| | | |
|---------------------------|---|------------------|
| UNITED STATES OF AMERICA, |) | |
| |) | |
| Plaintiff, |) | |
| |) | Civil Action No. |
| v. |) | |
| |) | |
| ELDA SINANI, |) | |
| |) | |
| Defendant. |) | |

COMPLAINT FOR PERMANENT INJUNCTION

This is a civil action brought by the United States to permanently enjoin defendant Elda Sinani, individually, or through any other entity, and any other persons in active concert or participating with her, from preparing federal income tax returns, amended federal income tax returns and other related documents and forms for others; representing customers before the IRS, advising, assisting, counseling, or instructing anyone about the preparation of a federal tax return; and from promoting tax-fraud schemes.

Jurisdiction

1. 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 26 U.S.C. §§ 7402(a), 7407 and 7408.
2. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. §§ 7402(a), 7407, and 7408.
3. The defendant Elda Sinani resides within the jurisdiction of this court.

Defendant's Activities

4. Ms. Sinani prepares or assists in the preparation of federal income tax returns for other people for compensation, many of whom had a limited understanding of spoken and written English who lacked knowledge of federal income tax laws.

5. Ms. Sinani operated a business known as Eagle Notary Public & Tax Service in Waterbury, Connecticut, from November 2001, through April 2004, and, after selling this business, subsequently opened Universe Travel & Legal Services in Hartford, Connecticut. She provided tax return preparation services through both of these businesses.

6. As of September 28, 2008, the Internal Revenue Service ("IRS") has determined that Ms. Sinani prepared 409, 340, 419 and 426 tax returns for the years 2003, 2004, 2005 and 2006, respectively.

7. As of August 5, 2008, the IRS has examined 122 returns prepared by Ms. Sinani for the tax years 2005 and 2006. Of these 122 examinations, 87%, or 106 returns resulted in additional tax being owed by the taxpayer.

8. All of these 106 returns prepared by Ms. Sinani contained some of the issues described in paragraphs 9 and 10.

9. In order to minimize the federal income taxes owed by her customers, Ms. Sinani inflated deductions on Schedule A, such as employee business expenses and charitable contributions. Ms. Sinani frequently reported her customers' transfer of monies to family members as charitable contributions.

10. In addition, Ms. Sinani inflated deductions on Schedule C, and under reported Schedule C income. Ms. Sinani prepared returns containing inflated education expenses in order to take education credits and tuition and fees deductions for her customers to which they were otherwise not entitled. Ms. Sinani failed to allocate personal use of residential rental properties reported on Schedule E, inflated rental property expenses on Schedule E, including claims of non-deductible personal expenses for Schedule E rental properties. Further, Ms. Sinani, under reported unemployment income, interest income, and inflated IRA deductions for her customers. As a result of the aforementioned under reported income and improper deductions, Ms. Sinani was able to maximize various income tax credits for her customers, such as the earned income and child tax credits.

11. Ms. Sinani's actions cause harm to the United States and to the public.

12. The IRS has issued erroneous refunds based on the returns prepared by Ms. Sinani and has then had to audit her customers and take collection action to attempt to recoup the money. As of September 23, 2008, the IRS has incurred an actual tax loss to date from the examined returns of \$348,994. Based on the average actual tax loss per return of \$1,827.19, and assuming that an examination of all returns prepared by Ms. Sinani were performed and similar increases in tax were found, the understated tax liability resulting from the preparer's actions for the returns that were processed for the tax years 2003 through 2007 would result in a projected tax loss of \$2,912,540.86.

13. The IRS has spent considerable time and resources auditing returns prepared by the defendant and collecting the taxes owed and erroneous refunds paid.

14. Ms. Sinani has also harmed her customers because they pay her to prepare these returns, and, after their returns are examined, are responsible for paying all additional taxes, interest, and penalties that are owed.

Count I:

Injunction under 26 U.S.C. § 7408 for Violation of 26 U.S.C. § 6701

15. The United States incorporates by reference the allegations in paragraphs 1 through 14.

16. A court is authorized to issue an injunction if an income tax preparer engages in conduct subject to penalty under 26 U.S.C. § 6701, pursuant to 26 U.S.C. § 7408.

17. Section 6701 penalizes any person (1) who aids or assists in, procures, or advises with respect to, the preparation or presentation of any portion of a return, affidavit, claim or other document; (2) who knows (or has reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws; and (3) who knows that such portion (if so used) would result in an understatement of the liability for tax of another person.

18. Ms. Sinani prepared or assisted in the preparation of federal income tax returns for her customers.

19. Ms. Sinani knew or had reason to believe that these income tax returns would be filed with the IRS and thus would be used in connection with a material matter arising under the internal revenue laws.

20. Ms. Sinani knew that the federal tax returns she prepared would result in understatements of other persons' tax liabilities.

21. If Ms. Sinani is not enjoined, she is likely to continue to engage in conduct which violates § 6701.

Count II:

Injunction under 26 U.S.C. § 7407 for Violation of 26 U.S.C. §§ 6694 and 6695

22. The United States incorporates by reference the allegations in paragraphs 1 through 21.

23. A court is authorized to issue an injunction if an income tax return preparer engages in conduct subject to penalty under 26 U.S.C. § 6694 or § 6695, pursuant to 26 U.S.C. § 7407.

24. Section 6694(a) penalizes a tax return preparer if (1) the preparer prepares a return or claim for refund that includes an understatement of liability due to a position for which there is not a realistic possibility of being sustained on the merits; (2) the preparer knew (or reasonably should have known) of such position; and (3) the position was not disclosed in accordance with § 6662(d)(2)(B)(ii) or was frivolous.

26. Ms. Sinani's conduct as described above is subject to penalty under §§ 6694(a).

27. Ms. Sinani has prepared income tax returns that include understatements of her customers' liability which had no realistic possibility of being sustained on the merits; Ms. Sinani knew or reasonably should have known about these understatements; Ms. Sinani did not disclose them in accordance with 26 U.S.C. § 6662(d)(2)(B)(ii); and such understatements are frivolous. Ms. Sinani has thus engaged in conduct subject to penalty under § 6694(a).

28. Ms. Sinani has continually and repeatedly engaged in conduct that violates § 6694. An injunction merely prohibiting Ms. Sinani from engaging in conduct subject to penalty under § 6694 would not be sufficient to prevent her interference with the proper administration of the

tax laws. Accordingly, Ms. Sinani should be permanently enjoined from acting as an income tax return preparer.

**Count IV:
Injunction under I.R.C. § 7402(a) for Unlawful Interference
with Enforcement of the Internal Revenue Laws
and Appropriateness of Injunctive Relief**

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

30. A court is authorized to issue orders of injunction as may be necessary or appropriate to enforce the internal revenue laws, pursuant to 26 U.S.C. § 7402(a).

31. Section § 7402(a) expressly provides that its injunction remedy is “in addition to and not exclusive of” other remedies for enforcing the internal revenue laws.

32. Ms. Sinani, through the actions described above, has engaged in conduct that interferes substantially with the enforcement of the internal revenue laws.

33. Ms. Sinani’s conduct causes irreparable harm to the United States and to her customers.

34. Ms. Sinani is causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may be unrecoverable.

35. If Ms. Sinani is not enjoined, she is likely to continue to engage in conduct that interferes with the enforcement of the internal revenue laws.

36. The United States will suffer irreparable injury if Ms. Sinani is not enjoined. This outweighs the harm to Ms. Sinani from being enjoined from return-preparation and violating tax laws.

37. The public interest would be advanced by enjoining Ms. Sinani because an injunction will stop her illegal conduct and the harm that conduct is causing to the United States Treasury.

WHEREFORE, the United States of America, prays for the following:

A. That the Court find that Ms Sinani has engaged in conduct subject to penalty under 26 U.S.C. § 6701, and that injunctive relief under 26 U.S.C. § 7408 is appropriate to prevent a recurrence of that conduct;

B. That the Court find that Ms. Sinani has continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694, and that, pursuant to 26 U.S.C. § 7407, an injunction prohibiting such conduct would not be sufficient to prevent Ms. Sinani's interference with the proper administration of the tax laws and that Ms. Sinani should be enjoined from acting as an income tax return preparer;

C. That the Court find that Ms. Sinani is interfering with the enforcement of the internal revenue laws and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to 26 U.S.C. § 7402(a) and the Court's inherent equity powers;

D. That this Court, pursuant to 26 U.S.C. § 7408, enter a permanent injunction prohibiting Ms. Sinani, individually, or under any other name or using any other entity, and her representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with her, from directly or indirectly:

1. Engaging in activity subject to penalty under 26 U.S.C. § 6701, including aiding or assisting in, procuring, or advising with respect to, the preparation or presentation of any portion of a return, affidavit, claim or other document; knowing (or having reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws; and knowing that such portion (if so used) would result in an understatement of the liability for tax of another person; and

2. Engaging in any other activity subject to penalty under 26 U.S.C. § 6701 or any other provisions of the Internal Revenue Code.

E. That this Court, pursuant to 26 U.S.C. § 7407, enter a permanent injunction prohibiting Ms. Sinani, individually, or under any other name or using any other entity, and her representatives, agents, servants, employees, attorneys, and all persons in active concert or participation with her, from directly or indirectly acting as a federal income tax return preparer;

F. That this Court, pursuant to 26 U.S.C. § 7402(a), enter a permanent injunction prohibiting Ms. Sinani, individually, or under any other name or using any other entity, and her representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with her, from directly or indirectly:

1. Preparing or assisting in the preparation of any federal tax return for anyone other than themselves;
2. Advising, counseling, or instructing anyone about the preparation of a federal tax return;
3. Owning, managing, controlling, working for, or volunteering for a tax-return-preparation business;
4. Representing customers in connection with any matter before the IRS; and
5. Engaging in other similar conduct that substantially interferes with the administration and enforcement of the internal revenue laws.

G. That this Court permit the United States to conduct post-judgment discovery to ensure Ms. Sinani's compliance with the permanent injunction; and

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

Respectfully submitted,

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