UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

ORIGINAL

UNITED STATES OF AMERICA, )
)
Plaintiff, )
)
v. ) Civil No.
)
ANNIE P. WILLIAMS (a/k/a Annie P. Brown, )
Annie Brown-Williams), )
)
Defendant. )

IRIZARRY, J.
LEVY, M.J.

FILED
IN CLERK'S OFFICE
U.S. DISTRICT COURT E.D.N.Y.
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BROOKLYN OFFICE

NO SUMMONS ISSUED

**COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF**

The United States of America seeks a permanent injunction against defendant Annie P. Williams, a/k/a Annie P. Brown, Annie Brown-Williams ("Williams") barring her from further acting as a federal tax return preparer.

The defendant, who is a professional tax return preparer and who formerly operated the tax return preparation business PPH Tax & Realty, Inc. ("PPH Tax & Realty") in Brooklyn, New York, created an environment within her business where fraudulent tax return preparation was encouraged and flourished. At Williams' direction and under her control, PPH Tax & Realty employees improperly reduced customers' reported tax liabilities by, *inter alia*, claiming false or exaggerated employee/business expense and charitable contribution deductions, bogus dependents, unallowable child tax and childcare credits, false expense deductions for customer homes or non-qualifying rental properties, improper filing statuses, unallowable gambling losses, and other tax credits to which her customers are not entitled, including earned income tax credits. While Williams was president and sole proprietor of PPH Tax & Realty, PPH Tax & Realty employees sold customers for whom they prepared tax returns: (a) fraudulent charitable contribution letters to falsely substantiate deductions

claimed on federal income tax returns for customers to present to the Internal Revenue Service ("IRS") during audits; and (b) the identities of individuals to report on customer tax returns to fraudulently claim credits and exemptions.

**Jurisdiction and Venue**

1. This action has been requested by the Chief Counsel of the IRS, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General, pursuant to the provisions of I.R.C. (26 U.S.C.) §§ 7402, 7407 and 7408.

2. Jurisdiction is conferred on this Court by Sections 1340 and 1345 of Title 28, United States Code, and I.R.C. §§ 7402(a), 7407 and 7408.

3. This is a civil action brought by the United States under I.R.C. §§ 7402(a), 7407 and 7408 to enjoin defendant, and anyone in active concert or participation with her, from:

a. acting as a federal tax return preparer or requesting, assisting in, or directing the preparation or filing of federal tax returns or any other tax forms for any person or entity other than herself;

b. assisting in the preparation of federal tax returns that she knows or should know will result in the understatement of any tax liability or the overstatement of a federal tax refund;

c. understating customers' liabilities as penalized by I.R.C. § 6694;

d. preparing and/or filing federal tax returns and other documents as prohibited by I.R.C. § 6701;

e. engaging in any other activity subject to penalty under I.R.C. §§ 6694, 6695, 6701 or any other penalty provision in the I.R.C.;

f. engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws; and

g. representing anyone before the IRS.

4. Venue is proper in this Court under 28 U.S.C. § 1391 because all or a substantial portion

of the activities alleged in this Complaint occurred within this district.

**The Facts**

5. Williams primarily resides in Cleveland, Mississippi and has been a tax return preparer since at least 1998. Williams also received a ministerial license, is an ordained minister, and obtained licenses as a nurse, insurance broker and real estate broker.

6. Until January 5, 2011, Williams was the sole proprietor and president of PPH Tax & Realty, a tax return preparation business located in Brooklyn, New York at 440 New Lots Avenue. PPH Tax & Realty was incorporated in 2003, existed as an unincorporated business since at least 1998, and is currently an active domestic business corporation under New York State law. "PPH" is an acronym for "Prompt, Professional, Honest."

7. On January 5, 2011, Williams purportedly sold PPH Tax & Realty to Gloria Lawton ("Lawton"), a resident of Cleveland, Mississippi. Lawton was an officer or employee of other businesses operated by Williams, including general manager of a motel owned by Williams in Mississippi. The tax return preparation business currently operates under the name East New York Tax Service Center, Inc. ("East New York Tax Center") at the same Brooklyn, New York office location formerly occupied by PPH Tax & Realty, was incorporated under New York State law on January 7, 2011 by Lawton, and employs the same individuals who worked at PPH Tax & Realty.

8. Prior to January 5, 2011, and possibly after that date, Williams prepared tax returns herself and employed, or still employs, one or more persons to prepare tax returns. Therefore, Williams is a tax return preparer pursuant to I.R.C. § 7701(36)(A).

*2005 Injunction Against PPH Tax Preparation Businesses In Mississippi*

9. With Williams' assistance, other members of Williams' family established, owned and operated tax preparation businesses outside Brooklyn with the trade name "PPH," or variations of the same, including several locations in Mississippi (collectively "PPH Mississippi") operated by Lenardo Carzette Brown ("Carzette Brown"), Williams' son, and Adriann Steen-Brown ("Steen-Brown"), Williams' daughter-in-law.

10. Williams participated in training tax return preparers hired by PPH Mississippi and assisted with various operations of the PPH Mississippi businesses. Tax return preparers hired by PPH Mississippi informed the IRS that they were taught to prepare false tax returns to maximize earned income tax credits, other refunds, and were instructed by Annie Williams to hide client files if the IRS visited PPH Mississippi offices.

11. In December 2004, the United States initiated a civil action in the United States District Court for the Northern District of Mississippi (Delta Division), Civil Action No. 2:04-cv-337, against Carzette Brown, individually and doing business as PPH Enterprises and PP&H, and Steen-Brown, individually and doing business as PPH Enterprises and PP&H. The Mississippi Complaint alleges, *inter alia*, that PPH Mississippi trained its employee tax preparers, with Williams' assistance, to prepare fraudulent income tax returns that included fabricated deductions and claimed false dependents to maximize earned income credits, resulting in an estimated tax loss to the United States exceeding $14 million between 2000 and 2002. Although the Mississippi complaint alleges Williams' involvement with PPH Mississippi, Williams was not a defendant in that action.

12. On August 24, 2005, the United States District Court for the Northern District of Mississippi executed a judgment of permanent injunction against the Mississippi defendants,

consented-to by the defendants, barring them from, *inter alia*: (a) preparing or assisting in the preparation of any federal income tax returns for any person or entity; (b) providing any tax advice or services for compensation; and (c) engaging in conduct that violates the internal revenue laws or interferes with the proper administration and enforcement of the internal revenue laws through the preparation of false tax returns.

*Williams' Operation Of PPH Tax & Realty*
*In Brooklyn, New York*

13. Williams operated as a tax return preparer as the sole proprietor and president of PPH Tax & Realty in Brooklyn, New York from at least 1998 to January 5, 2011.

14. At her tax preparation business, Williams hired individuals as part-time employees, whom she paid hourly salaries, to prepare federal income tax returns. During portions of the year, 3-8 part-time preparers typically worked at PPH Tax & Realty's 440 New Lots Avenue office at one time. From 2005 to 2011, approximately 20 individuals were employed as part-time tax return preparers at PPH Tax & Realty.

15. The individuals Williams hired as tax return preparers had minimal educational background and little to no experience preparing tax returns. Williams purported to train part-time preparers through courses provided at PPH Tax & Realty.

16. There were few if any written materials or procedures at PPH Tax & Realty to provide guidance or standard practices for employees to prepare proper federal income tax returns.

17. Little or no records were kept by Williams involving the tax returns prepared at PPH Tax & Realty.

18. PPH Tax & Realty part-time preparers completed portions of an individual tax return and

did so with little to no supporting documentation or direct contact with the customer to verify the information reported in the tax return.

19. PPH Tax & Realty employees improperly guaranteed to their customers the payment of tax refunds or the allowance of tax credits.

20. PPH Tax & Realty charged customers a fee ranging from $150 to $900 to prepare a federal income tax return. In some cases, this fee was paid by deducting a portion of a Refund Anticipation Loan ("RAL") provided through Williams' business to her customer. The RAL is a loan to a taxpayer made by a financial institution based upon, and secured by, the taxpayer's anticipated income tax refund from the IRS. At PPH Tax & Realty, Williams secured RALs for her customers through Bank One, which remitted an RAL fee for each approved loan to Williams, in addition to payments PPH Tax & Realty charged for preparation of tax returns.

21. Part-time preparers charged additional fees or received "tips" from customers.

22. Between 2006 and 2009, employees of PPH Tax & Realty prepared and filed between 4,000 and 6,000 federal income tax returns each year. In 2010, PPH Tax & Realty employees prepared and filed over 2,100 federal income tax returns. Employees of PPH Tax & Realty, or employees working under the business name East New York Tax Center, have continued to prepare and file federal income tax returns in 2011.

23. In 2009, the IRS assessed penalties against PPH Tax & Realty for failing to comply with earned income tax credit due diligence requirements (I.R.C. § 6695(g)) for tax returns prepared at PPH Tax & Realty. With the exception of assessed penalties based on one tax return, all the 2009 penalties were affirmed on administrative appeal in September 2010, but were not paid to the IRS until April 2011. The IRS found, *inter alia*:

a. a lack of quality review and guidance, a lack of preparer training regarding earned income due diligence requirements, and a lack of control by Williams over the preparers she employed;

b. the failure to meet due diligence requirements was not isolated or inadvertent; and

c. tax returns asserting claims for the earned income tax credit reported improper, non-qualifying dependents.

24. PPH Tax & Realty part-time preparers were instructed by Williams, or other PPH Tax & Realty employees acting at Williams' direction, to prepare tax returns that claim fraudulent deductions, exemptions or otherwise improperly reduce their customers' reported tax liabilities in order to attract a high volume of customers and ensure repeat customers for subsequent tax years.

25. Williams knows, or has reason to know that the part-time preparers she employed prepared and submitted to the IRS false and fraudulent tax returns.

*Williams' 2010 Criminal Conviction For Felony Tax Fraud*

26. In June 2009, the United States initiated a criminal case against Williams alleging, *inter alia*, that as the sole proprietor of PPH Tax & Realty: (a) Williams arranged for her tax preparation customers to obtain RALs at PPH Tax & Realty through Bank One; (b) Bank One directly deposited to Williams' bank accounts RAL fees, in addition to portions of RALs that PPH Tax & Realty charged as fees for preparing each customer's tax return; (c) Williams received over $1.9 million in unreported gross receipts for the 2000 to 2002 tax years as a result of RALs that she arranged through PPH Tax & Realty; and (d) Williams reported to the IRS less than $55,000 in gross receipts from her business, $0 as taxable income, and paid no federal income tax for the 2000 to 2002 tax years.

27. On March 25, 2010, in the United States District Court for the Southern District of New

York, 7:09-cr-00560-CM, judgement was entered against Williams, who pled guilty to one count of Tax Evasion, a Class D felony in violation of 26 U.S.C. § 7201. Williams was sentenced to six months in federal prison and three years of supervised release. Her prison sentence commenced on June 21, 2010, and she began her supervised release on December 17, 2010.

*Summary Of Tax Fraud*

28. Of tax returns prepared at PPH Tax & Realty between 2008 and 2010, IRS records indicate that over 94% include claims for refunds. According to PPH Tax & Realty, its preparers have claimed over $65 million in refunds between 2006 and 2009 (*i.e.*, on average, over $3,500 per return).

29. The IRS examined a sample of over 190 tax returns prepared at PPH Tax & Realty from 2006 to 2009 and conducted over 75 interviews of PPH Tax & Realty customers, many of whom had tax returns prepared by PPH Tax & Realty for multiple tax years. During these interviews, customers described how they provided little or no substantiation to support deductions claimed on their tax returns, in most instances asserted that they were entirely unaware of the deductions claimed, and denied that various claims for deductions and other information appearing on their tax returns were valid. All but two of the 128 interviewee tax returns (*i.e.*, over 98%) examined by the IRS resulted in a tax deficiency. As a result of its examinations, the IRS assessed tax deficiencies exceeding $980,000 for PPH Tax & Realty customers, including over $500,000 (*i.e.*, on average, over $4,000 per return) for PPH Tax & Realty customers who described PPH Tax & Realty's illegal tax preparation practices to IRS investigators.

30. On information and belief, nearly every part-time tax preparer hired by PPH Tax & Realty participated in fraudulent activities that occurred between 2006 and 2010, or was at least

aware of these practices. For the most part, tax returns prepared at PPH Tax & Realty between 2006 and 2010 include preparer tax identification numbers ("PTINs") or social security numbers that identify the individual PPH Tax & Realty employee who purportedly prepared the tax return. Fifteen individual PPH Tax & Realty part-time preparer PTINs or social security numbers appear on tax returns of PPH Tax & Realty customers interviewed by the IRS and assessed tax deficiencies due to improper tax returns.

31. While some PPH Tax & Realty customer tax returns were prepared by the same part-time preparer for multiple tax years, even when customer tax returns were prepared by different preparers for separate tax years, the tax returns included similar fraudulent claims. Examples include:

a. The 2006, 2007 and 2008 tax returns of a school safety officer and part-time transportation security officer at John F. Kennedy Airport who resides in Saint Albans, New York. This customer was interviewed by the IRS. PTINs or social security numbers on each tax return identify PPH Tax & Realty employees Caroline McGill as the 2006 preparer, Regina White as the 2007 preparer and Amanda Shoffner as the 2008 preparer. The IRS assessed deficiencies of $3,763 for 2006, $5,234 for 2007 and $5,181 for 2008, primarily due to false claims for charitable and business expense deductions appearing on all three tax returns;

b. Tax returns for 2006 and 2007 prepared for an electrical worker from Brooklyn, New York who was interviewed by the IRS. The PTIN of Caroline McGill appears on this customer's 2006 tax return, while the 2007 tax return contains the PTIN of PPH Tax & Realty part-time preparer Julia Shoffner. Both tax returns include false claims for business expenses and charitable contribution deductions, with a total deficiency of $3,760 for 2006 and $2,642 for 2007; and

c. A New York City Police Department detective who resides in Brooklyn, New York. PPH Tax & Realty prepared his tax returns for 2005, 2006 and 2007. The tax returns disclose the social security number or PTIN of PPH Tax & Realty employees James (Jamar) Wright for 2005, Tamar Harris for 2006 and Regina White for 2007. This PPH Tax & Realty customer was interviewed by the IRS and stated to government investigators that he questioned the deductions claimed on his tax returns but was falsely informed by PPH Tax & Realty part-time preparers that they were proper. The IRS assessed deficiencies of $4,440 for 2005, $4,340 for 2006 and $4,434 for

2007, principally due to false deductions claimed on the tax returns.

32. PPH Tax & Realty customers and tax return preparers recounted to IRS investigators specific incidents of fraudulent conduct that occurred by employees, trained at Williams' direction within PPH Tax & Realty, over years of the business' operation. Examples of fraudulent claims appearing on tax returns prepared at PPH Tax & Realty from 2006 to 2010 that Williams as the sole proprietor and president knows, or has reason to know occurred include, *inter alia*, false dependent exemptions, improper child tax and childcare credits, bogus charitable deductions, false business/employee expense deductions, improper claims for rental expenses, losses and other home expense deductions, false filing statuses, unallowable gambling loss deductions, and fraudulent claims for earned income tax credits. To further the preparation of fraudulent tax returns and evade detection by the IRS during audits of PPH Tax & Realty customers, in some instances, PPH Tax & Realty employees sold: (a) the identities of third-parties to report on the tax returns to falsely claim deductions and exemptions; and (b) fraudulent documents for customers to present to the IRS in an attempt to substantiate improper tax returns.

*False Childcare Dependent Exemptions And Childcare Credits*

33. Among the tax fraud schemes at PPH Tax & Realty to claim improper refunds or otherwise understate income, part-time preparers implemented measures to falsely claim childcare credits on behalf of customers, including the sale of names of false childcare providers to report on tax returns. For example, one customer, a nursing assistant who resides in Brooklyn, New York, admitted to government investigators that Nicole Blackett, a part-time PPH Tax & Realty preparer, offered to sell her the name of a bogus childcare provider to report on the customer's 2009 federal income tax return. The customer accepted the offer and paid Blackett $300. The customer's 2009

federal income tax return, prepared on July 30, 2010, fails to list Blackett as the preparer, but identifies PPH Tax & Realty as the preparing business, falsely lists Blackett as the childcare provider, and fraudulently reports $3,000 as qualifying childcare expenses.

34. To claim unallowable earned income tax credits, child tax credits and dependent exemptions, PPH Tax & Realty part-time preparers also prepared tax returns that report false dependents and non-qualifying children as dependents. For example, part-time preparers falsely claimed non-relatives, such as the child of a taxpayer's girlfriend or boyfriend, as the taxpayer's dependent and relative (e.g. a niece or nephew) when the part-time preparer knew, or reasonably should have known that doing so violates the internal revenue laws. In other instances, customers asserted that part-time preparers claimed non-existent dependents without the customer's knowledge. For example, a PPH Tax & Realty customer, who resides in Jamaica, New York, informed the IRS in 2007 that among other false claims for tax credits appearing on his tax return, part-time preparer Julia Shoffner "gave me a [d]ependent that I never saw or even heard of."

*Bogus Charitable Deductions*

35. To inflate claimed deductions on customer tax returns, PPH Tax & Realty part-time preparers reported unsubstantiated or non-existent charitable contributions on behalf of their customers.

36. In some instances, customers whose returns were prepared between 2006 and 2009 contend that they informed PPH Tax & Realty part-time preparers that they made cash donations or donated goods to charities (e.g. clothing) during the tax year, but part-time preparers neither requested nor obtained any required substantiation from the customer to verify the amount or value of the purported contribution. Nonetheless, part-time preparers improperly claimed these purported

charitable contributions as deductions on customer tax returns. Other PPH Tax & Realty customers reported that deductions for charitable contributions claimed on their tax returns prepared by PPH Tax & Realty are false and assert that these deductions were claimed without their knowledge. Examples include:

a. A social worker who resides in Brooklyn, New York. By interviewing the customer, the IRS determined that she provided no substantiation at the time her 2006 tax return was prepared for a claimed $4,495 charitable deduction. The tax return was purportedly prepared by PPH Tax & Realty part-time preparer Niurka Vasquez;

b. A telecommunications supervisor from Brooklyn, New York. After interviewing this customer to inquire whether he provided documentation to PPH Tax & Realty to support charitable contribution deductions claimed on his 2006 tax return, the IRS determined that his part-time preparer, Julia Shoffner, falsely claimed $5,775 as charitable contribution deductions on a tax return containing Shoffner's electronic signature and PPH Tax & Realty employee Ayanna Teesdale's PTIN; and

c. The 2006 tax return, which contains the electronic signature and PTIN of Ayanna Teesdale, for a childcare worker residing in Queens Village, New York. Although the customer disclosed during her interview with the IRS that she made no charitable contributions in 2006, her tax return for that year improperly claims $5,000 in deductible cash contributions.

37. For customers audited by the IRS, part-time preparers employed by PPH Tax & Realty offered to provide or sell fraudulent charitable contribution letters to submit to the IRS as false substantiation for deductions claimed on tax returns prepared at PPH Tax & Realty. For example, a funeral home employee and resident of Brooklyn, New York informed the IRS that Julia Shoffner offered to sell her false charitable contribution letters for $50 each. Another PPH Tax & Realty customer, also from Brooklyn, New York, provided the IRS copies of fraudulent charitable contribution letters she received from PPH Tax & Realty that falsely record contributions of $4,050 for 2005 and $5,050 for 2006.

*False Business/Employee Expense Deductions*

38. Part-time PPH Tax & Realty preparers improperly prepared tax returns that include claims for false business/employee expense deductions for customers who claimed, *inter alia*, that they: (a) provided no documentation to PPH Tax & Realty to substantiate the deductions; and/or (b) did not discuss with PPH Tax & Realty employees specific sums to claim as deductions.

39. Based on an examination of tax returns and customer interviews, the IRS determined that part-time preparers at PPH Tax & Realty claimed deductions for business/employee expenses that never occurred. Examples include:

a. A funeral home employee from Brooklyn, New York (*see supra* ¶ 37). The IRS determined that she had no job-related expenses and, in combination with other improperly claimed deductions, disallowed $41,034 of her reported Schedule A expense deductions for 2005, 2006 and 2007. This customer's tax returns identify PPH Tax & Realty employees Ruth Rosario as the 2005 preparer and Ayanna Teesdale as the 2006 and 2007 preparer;

b. A clerical associate for the New York City Housing Authority who resides in Brooklyn, New York. The IRS determined that this customer's 2003 tax return, prepared in April 2006, improperly claims $8,545 as unreimbursed employee expenses. The only document the customer purportedly provided to PPH Tax & Realty to prepare the tax return was a Form W-2. The tax return was signed by Julia Shoffner, but Shoffner did not report her own PTIN or social security number on the tax return. Instead, the customer's tax return contains the social security number of PPH Tax & Realty employee Mildred Hall as preparer; and

c. The 2006 and 2007 tax returns of a mechanic for the Metropolitan Transit Authority who resides in Brooklyn, New York. The tax returns, which identify PPH Tax & Realty employee Caroline McGill as preparer, erroneously claim over $20,000 as job expenses. As a result, when combined with other improper claims appearing on this customer's tax returns, the customer was assessed a combined deficiency of $7,335 for 2006 and 2007.

40. PPH Tax & Realty part-time preparers claimed business/employee expense deductions based entirely upon fictitious amounts they concocted for expenses that, while typical to the

customer's profession generally, the part-time preparer never verified with the customer as actually incurred. As an example, the IRS has identified several PPH Tax & Realty customers who are members of the New York City Police Department or other local law enforcement agencies. From interviews of police officers whose tax returns identify Julia Shoffner as preparer, for instance, the IRS discovered bogus police-related expense claims on tax returns prepared for:

a. A police officer from Far Rockaway, New York, whose 2006 tax return claims $17,050 in work-related expenses that were disallowed during an IRS audit. The IRS determined that the tax return was prepared without any documentation to substantiate the purported expenses, such as specific amounts claimed for "ammo range fee[s]," "protective gear," "job related training," "workshoes boots," and $3,255 for "uniform maintenance";

b. A police officer from Brooklyn, New York. The IRS disallowed $14,678 of the customer's $17,128 claimed employee/business expense deductions appearing on his 2006 tax return. Although the IRS allowed some deductions for union dues, range fees, ammunition and uniform costs, the $17,128 also included purported business/employee expenses that the customer could neither explain nor substantiate; and

c. A resident of Brooklyn, New York and police officer who informed the IRS that Shoffner "did NOT ask me to, and I did not provide any documents or other information regarding the deductions claimed on Schedule A of the return." The IRS disallowed over $21,000 in itemized deductions on Schedule A of this customer's 2006 and 2007 tax returns, which combined with other improper claims, resulted in a $6,769 tax deficiency. Specific descriptions and amounts for police-related expenses detailed in the tax returns include "work clothes," "work shoes," "computer software," "safety gear," "job related training" and ammunition.

*Bogus Rental And Property Expense Deductions*

41. By examining tax returns and interviewing customers, the IRS discovered violations by PPH Tax & Realty part-time preparers of internal revenue laws involving customer property. For example, PPH Tax & Realty part-time preparers failed to report rental income they knew existed, claimed improper expense or loss deductions associated with property purportedly owned by the

customer, and claimed other deductions based on rental properties that failed to qualify as bona-fide rentals. Specific examples include:

a. A married couple, a retired post office employee and a teacher's aid who reside in Freeport, New York. Their 2006 income tax return, which includes PPH Tax & Realty part-time preparer Ayanna Teesdale's PTIN, fails to report any income from the couple's rental property. Nonetheless, the tax return claims $26,459 in rental expenses. Even if PPH Tax & Realty properly reported the $3,600 of rental income the couple actually received in 2006 by renting to family members at a below-fair-value rate, the claimed deductions violated the internal revenue laws (e.g. the claimed expense deductions exceeded the rental income). In addition to adjusting the couple's tax return to reflect the unreported rental income, the IRS disallowed $22,859 of claimed property expense deductions. These adjustments, in combination with other issues identified in the 2006 tax return, resulted in a deficiency of $13,434;

b. A high school assistant principal from Brooklyn, New York, whose 2006 and 2007 tax returns, purportedly prepared at PPH Tax & Realty, improperly claim $35,343 in rental loss deductions. The IRS determined that no documentation substantiating the rental loss deductions was presented at the time the tax return was prepared, the purported tenant was the customer's mother, and even if substantiated and valid, the losses would only be allowable up to the amount of rental income received. The customer's improper deductions for rental losses, in combination with other unsupported deductions, resulted in $4,433 and $5,732 tax deficiencies for 2006 and 2007, respectively; and

c. A married couple, both teachers who reside in Brightwaters, New York. The IRS disallowed rental expense deductions claimed for property co-owned by the couple in 2005 and 2006, including $2,640 for cleaning and maintenance, $12,641 for repairs, $4,905 for supplies, $4,625 for insurance, and $18,735 classified as other expenses. The IRS determined that the couple's property failed to qualify as a bona-fide rental since there were no renters and no rent was collected. The 2005 tax return includes Julia Shoffner's PTIN, and the 2006 tax return contains Darlene Boston's PTIN.

*Improper Filing Statuses*

42. Part-time preparers at PPH Tax & Realty prepared tax returns with inconsistent or improper filing statuses due to the preparer's negligence or intentionally to claim unallowable tax benefits, including earned income tax credits. For example, a registered nurse from Far Rockaway,

New York informed the IRS during an interview that she told her PPH Tax & Realty preparer that she was married. Nevertheless, the preparer advised the customer to falsely declare herself as single on her 2007 tax return, rather than married filing separately. The tax return includes the PTIN of PPH Tax & Realty part-time preparer Ayanna Teesdale.

*Unallowable Gambling Loss Deductions*

43. During its examination of tax returns prepared at PPH Tax & Realty and interviews with customers, the IRS discovered that part-time preparers claimed improper gambling loss deductions. Examples include:

a. A home health aide from Brooklyn, New York. Her 2006 tax return, which includes the PTIN of part-time preparer Julia Shoffner, reports $992 as gambling winnings and deducts $2,575 as gambling losses, despite the fact that gambling loss deductions may not exceed reported gambling winnings under the internal revenue laws. Combined with other adjustments on her 2006 tax return, the customer incurred a $4,524 deficiency for that tax year; and

b. From interviews of PPH Tax & Realty customers, the IRS has identified at least two customers who disclosed that they do not gamble and assert that PPH Tax & Realty preparers deducted a combined $8,950 of gambling losses on their tax returns without their knowledge (*see supra* ¶¶ 40(a) and 42).

*Other Violations*

44. Customers have reported to IRS revenue agents that part-time preparers at PPH Tax & Realty have failed to furnish copies of completed tax returns to them, as required by I.R.C. § 6695(a).

45. In violation of the internal revenue laws (I.R.C. § 6695(b) and (c)), PPH Tax & Realty employees failed to sign tax returns they completed or to include the accurate PTIN or social security numbers of the PPH Tax & Realty employee who prepared the tax return.

**Harm Caused by Defendants**

46. Defendant's customers have been harmed because they paid her fees through PPH Tax & Realty to prepare and file proper tax returns on their behalf. Many customers now face large income tax deficiencies and may be liable for sizeable penalties and interest.

47. The United States is harmed because the IRS must continually devote limited resources to detecting and examining inaccurate tax returns prepared by defendant's employees in an attempt to assess and collect unpaid taxes.

48. Given the extent of the fraudulent tax return preparation, the amount of tax loss resulting from defendant's improper tax preparation activities may be incalculable, but could be as much as $78 million from 2006 through 2009 (based on the average deficiency per examined return of interviewed customers). Tax losses assessed as a result of both examination of tax returns and interviews with PPH Tax & Realty customers exceed $500,000 for 2005, 2006, 2007 and 2008.

49. Williams' involvement with preparation of fraudulent tax returns spans over a decade. She violated the internal revenue laws as part of her involvement with PPH Mississippi, undoubtedly was aware of a civil injunctive action against her relatives and PPH Mississippi, yet repeated similar offenses as a tax return preparer, owner and president of PPH Tax & Realty in Brooklyn. Through her ownership of PPH Tax & Realty, Williams concealed over $1.9 million in gross receipts derived from the business. Although Williams purports to have sold PPH Tax & Realty, unless enjoined by this Court, she may continue to prepare and file tax returns (and/or employ others to do so) that claim bogus tax refunds and improperly reduce her customer's tax liabilities.

**Count I**
**Injunction Under I.R.C. § 7407**

50. The United States incorporates by reference the allegations in paragraphs 1 through 49.

51. I.R.C. § 7407 authorizes a district court to enjoin a federal tax return preparer from, *inter alia*:

a. engaging in conduct subject to penalty under I.R.C. § 6694;

b. engaging in conduct subject to penalty under I.R.C. § 6695; and

c. engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws,

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

52. Defendant, through her employees, has continually and repeatedly engaged in conduct subject to penalty under I.R.C. § 6694 by willfully and knowingly preparing federal tax returns for customers that improperly understate customers' tax liabilities based on unreasonable, frivolous, and reckless positions, as detailed above.

53. Defendant, through her employees, has continually and repeatedly engaged in conduct subject to penalty under I.R.C. § 6695 by failing to furnish copies of tax returns to her customers, sign tax returns, furnish proper identifying numbers on tax returns, and comply with the due diligence requirements for claiming earned income tax credits.

54. Defendant has continually and repeatedly engaged in fraudulent or deceptive conduct which substantially interferes with the proper administration of the federal tax laws.

55. Defendant's repeated violations of I.R.C. §§ 6694 and 6695 fall within I.R.C. § 7407(b)(1)(A), (C) and (D), and thus are subject to an injunction under I.R.C. § 7407.

56. If Defendant is not enjoined, she is likely to continue to cause the filing of false and fraudulent tax returns and engaging in fraudulent conduct.

57. Defendant's continual and repeated conduct subject to an injunction under I.R.C. § 7407, detailed above, shows that a narrow injunction prohibiting only specific conduct would be insufficient to prevent her interference with the proper administration of the internal revenue laws. Thus, defendant should be permanently barred from acting as a federal tax return preparer.

**Count II**
**Injunction Under I.R.C. § 7408**

58. The United States incorporates by reference the allegations in paragraphs 1 through 57.

59. Sections 7408(a) and (c) of the Internal Revenue Code authorize a district court to enjoin any person from engaging in conduct subject to penalty under I.R.C. § 6701 if injunctive relief is appropriate to prevent recurrence of such conduct.

60. Section 6701(a) of the Internal Revenue Code penalizes any person who aids or assists in, procures, or advises with respect to the preparation or presentation of a federal tax return, refund claim, or other document, knowing (or having a reason to believe) that it will be used in connection with any material matter arising under the internal revenue laws, and knowing that if it is so used it will result in an understatement of another person's tax liability.

61. By claiming improper deductions, tax credits, and otherwise understating her customers'

tax liabilities, as detailed above, defendant, through her employees, knowingly and willfully prepared false federal income tax returns for customers and knew the false returns would understate her customers' correct tax liabilities. This conduct, therefore, is subject to penalty under I.R.C. § 6701.

62. If the Court does not enjoin defendant, she is likely to continue to engage in conduct subject to penalty under I.R.C. § 6701. Injunctive relief is therefore appropriate under I.R.C. § 7408.

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

63. The United States incorporates by reference the allegations of paragraphs 1 through 62.

64. Section 7402, I.R.C., authorizes a district court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

65. Defendant has engaged in conduct that substantially interferes with the enforcement of the internal revenue laws. In tax returns her employees prepared, defendant has intentionally understated her customers' tax liability and claimed improper deductions or other credits to which her customers are not entitled.

66. Unless enjoined, defendant is likely to continue to engage in this improper conduct. If defendant is not enjoined from preparing returns for others, the United States will suffer irreparable injury by failing to receive accurate tax payments from defendant's customers and erroneously providing federal income tax refunds to customers not entitled to receive them.

67. Permanently enjoining defendant is in the public interest because an injunction, backed by the Court's contempt powers, if needed, will stop her illegal conduct and the harm she has already caused the United States.

68. The Court should impose injunctive relief under 26 U.S.C. § 7402(a).

WHEREFORE, the United States prays for the following:

A. That the Court find that defendant has continually and repeatedly engaged in conduct subject to penalty under I.R.C. §§ 6694 and 6695, has continually and repeatedly engaged in other fraudulent and deceptive conduct that substantially interferes with the administration of the tax laws, and that a narrower injunction prohibiting only this specific conduct would be insufficient;

B. That the Court, pursuant to I.R.C. § 7407, enter a permanent injunction prohibiting defendant from acting as a tax return preparer;

C. That the Court find that defendant has engaged in conduct subject to penalty under I.R.C. § 6701, and that injunctive relief under I.R.C. § 7408 is appropriate to prevent a recurrence of that conduct;

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

E. That the Court, pursuant to I.R.C. §§ 7402(a), 7407 and 7408, enter a permanent injunction prohibiting defendant, and all those in active concert or participation with her, from:

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

2. assisting in the preparation of federal tax returns that she knows or should know will result in the understatement of any tax liability or the overstatement of a federal tax refund;

3. understating customers' liabilities as penalized by I.R.C. § 6694;

4. preparing and/or filing federal tax returns and other documents as prohibited by I.R.C. § 6701;

5. engaging in any other activity subject to penalty under I.R.C. §§ 6694, 6695, 6701 or any

other penalty provision in the I.R.C.;

6. engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws; and

7. representing anyone before the IRS.

F. That the Court, pursuant to I.R.C. §§ 7402(a), 7407 and 7408, enter an injunction requiring defendant, within 60 days of entry of the injunction, to contact by United States mail all persons for whom she or her tax preparation business has prepared a federal tax return or tax-related document since January 1, 2006, enclosing a copy of the executed injunction against her, and file with the Court, within 5 days thereafter, a sworn certificate stating that she has complied with this requirement;

G. That the Court, pursuant to I.R.C. §§ 7402(a), 7407 and 7408, enter an injunction requiring defendant to produce to counsel for the United States within 60 days of the injunction order a list that identifies by name, social security number, address, e-mail address, and telephone number and tax period(s), all persons for whom defendant or her tax preparation businesses have prepared federal tax returns or claims for refund since January 1, 2006;

H. That the Court retain jurisdiction over defendant and over this action to enforce any permanent injunction entered against defendant;

I. That the United States be entitled to conduct discovery to monitor defendant's compliance with the terms of any permanent injunction entered against her and obtain further information regarding the purported sale of PPH Tax & Realty in January 2011; and

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

Respectfully submitted,

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