



**U.S. Department of Justice**

***United States Attorney  
Eastern District of Arkansas***

**FOR IMMEDIATE RELEASE**

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**ASH FLAT RETURN PREPARER INDICTED ON  
THEFT OF GOVERNMENT FUNDS AND TAX CHARGES**

**Little Rock** - Jane W. Duke, United States Attorney for the Eastern District of Arkansas, announced that James B. Morris, age 65, and his wife, Karen Sue Morris, 47, both of Ash Flat, Arkansas, have been indicted by a federal grand jury in Little Rock. Both were charged with theft of social security funds, conspiracy to defraud the United States, fraudulently obtaining Title IV Education funds, filing false tax returns, income tax evasion, and aiding and assisting in the preparation of false income tax returns. James Morris was also charged with one count of concealment of a material fact to the Social Security Administration and one count of theft of Veteran's Administration funds.

According to the indictment, James Bruce Morris and Karen Sue Morris, married in October 2002, were the owner and employee of B. Morris Ltd., respectively. From January 2003 to about May 2007, they conspired to defraud the United States by impeding the law functions of the Internal Revenue Service (IRS), and by fraudulently obtaining funds provided through Title IV of the Higher Education Action of 1965. Title IV provides regulations for the student financial assistance programs administered by the Department of Education. The indictment alleges that the Morrisses would file tax returns with the IRS that falsified their marital status and taxable income. Additionally, Mrs. Morris would submit a Free Application for Federal Student Aid (FAFSA) each year for determining her daughter(s)' eligibility for Title IV funds that falsely represented her marital status, would omit reference to Mr. Morris as a member of the household, and would omit any of his income.

The indictment further alleges that both of the Morrisses filed separate false income tax returns for the 2003 tax year that contained an incorrect filing status and falsely claimed Earned Income Tax Credit (EITC). For tax year 2004, Mr. Morris filed a Form 1120 for B. Morris Ltd., in which the gross receipts were understated by approximately \$115,285. The Morrisses then allegedly filed a false personal income tax return for 2004 that carried forward the false income

reported by the corporation, thus understating their personal tax due and owing to the IRS by a substantial amount. The indictment states that for the 2005 tax year, Mr. Morris filed a Form 1120 corporate return for B. Morris Ltd. that claimed inflated rental expenses and a deduction for a scholarship grant that was actually provided to the daughter of Mrs. Morris. Mr. Morris' personal Form 1040 tax return for 2005 falsely claimed an inflated cost basis on the sale of a business asset that under-reported his taxable income by more than \$130,000 for that year.

Additionally, the indictment charges the Morrisises with preparing false income tax returns for others for tax years 2004 through 2007. Mr. Morris falsified tax returns for his clients by under reporting income of the taxpayer, improperly scheduling income so as to avoid payment of self-employment tax, claiming of expenses and deductions to which the taxpayer was not entitled, and by improperly classifying the filing status for the taxpayer and claiming EITC for which the taxpayer was not qualified.

Lastly, Mr. Morris was charged with intentionally failing to disclose his employment and earnings from this employment to the Social Security Administration with the intent to fraudulent secure payment of benefits to himself. Mr. Morris was also charged with fraudulently obtaining Veteran's Administration funds to which he was not entitled.

This investigation was conducted by IRS Criminal Investigation, Social Security Administration- OIG, Department of Veteran's Affairs – OIG, and the Department of Education – OIG. Assistant U. S. Attorney Michael D. Johnson is prosecuting this case for the United States.

An indictment contains only allegations. The defendant is presumed innocent unless and until proven guilty.

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