

1 LAURA E. DUFFY  
2 United States Attorney

3 CAROLINE D. CIRAULO  
4 Acting Assistant Attorney General – Tax Division

5 RUSSELL J. EDELSTEIN  
6 MA Bar No. 663227  
7 Trial Attorney, Tax Division  
8 U.S. Department of Justice  
9 P.O. Box 7238 – Ben Franklin Station  
10 Washington, D.C. 20044  
11 Tel: (202) 616-2704  
12 Fax: (202) 514-6770  
13 [russell.j.edelstein@usdoj.gov](mailto:russell.j.edelstein@usdoj.gov)

14 **Attorneys for the United States of America**

15  
16 IN THE UNITED STATES DISTRICT COURT FOR THE  
17 SOUTHERN DISTRICT OF CALIFORNIA

18 UNITED STATES OF AMERICA,	)	
	)	Civil No. <u>'15CV643 GPC WVG</u>
19 Plaintiff,	)	
	)	<b>COMPLAINT FOR</b>
20 v.	)	<b>PERMANENT INJUNCTION</b>
	)	<b>AND OTHER RELIEF</b>
21 LAWRENCE PRESTON SIEGEL	)	
(a/k/a Larry Lave, Yehuda Lave,	)	
22 and Larry Easy)	)	
	)	
23 Defendant.	)	
	)	

24 Plaintiff, the United States of America, for its complaint against defendant  
25 Lawrence Preston Siegel, states as follows:

**Nature of the Action**

1  
2 1. Defendant Lawrence Preston Siegel, a/k/a Larry Lave, Yehuda Lave, and  
3 Larry Easy (“Siegel”) promotes and implements tax fraud schemes that improperly  
4 reduce his customers’ reported taxable income on federal tax returns, including  
5 schemes that involve incorporating his customers’ businesses as out-of-state “C”  
6 corporations.

7 2. Siegel prepares fraudulent federal tax returns and tax forms, including tax  
8 returns predicated on abusive tax arrangements he establishes for his customers.

9 3. Siegel’s promotion and implementation of tax fraud schemes and  
10 preparation of fraudulent tax returns has harmed the United States, Siegel’s  
11 customers, and the public at-large. In order to prevent additional harm by Siegel,  
12 the United States brings this complaint pursuant to 26 U.S.C. §§ 7402, 7407, and  
13 7408 of the Internal Revenue Code (“I.R.C”) for entry of a permanent injunction  
14 against Siegel and all those in active concert or participation with him.

**Authorization**

15  
16 4. This action for injunctive relief is brought at the request of the Chief  
17 Counsel of the IRS, a delegate of the Secretary of the Treasury, and commenced at  
18 the direction of a delegate of the Attorney General of the United States, pursuant to  
19 I.R.C. § 7402.

**Jurisdiction and Venue**

20  
21 5. Jurisdiction exists under 28 U.S.C. §§ 1340 and 1345 and I.R.C. § 7402(a).

22 6. Venue is proper in this Court under 28 U.S.C. § 1391 because a substantial  
23 portion of the events giving rise to this action took place in this judicial district.

## Facts

### *Background*

7. In 1974, Siegel graduated from the University of Illinois at Urbana-Champaign with an accounting degree. Subsequently, Siegel received a law degree from the University of San Diego School of Law. In 1980, Siegel obtained a C.P.A. license from the California Board of Accountancy and, in 1982, was admitted to the State Bar of California to practice law.

8. During the 1980's and early 1990's, Siegel operated a law and accountancy practice in the San Diego area.

9. In 1994, Siegel pled guilty to one count of federal tax evasion (in violation of I.R.C. § 7201) and two counts of subscribing false tax returns (in violation of I.R.C. § 7206). *See United States v. Siegel*, 3:94-cr-499-IEG-1 (U.S.D.C., S.D. Cal.) (“*Siegel I*”).

10. Siegel was also convicted of the following federal crimes:

- A. In 1995, for making false statements (in violation of 18 U.S.C. § 1001) to obtain furlough passes while serving his sentence for his 1994 conviction. *See United States v. Siegel*, 3:95-cr-1187-B-1 (U.S.D.C., S.D. Cal.) (“*Siegel II*”);
- B. In 1998, for bail jumping (in violation of 18 U.S.C. § 3146), after Siegel failed to appear for an April 19, 1996 sentencing hearing following his conviction for making false statements to obtain furlough passes. *See United States v. Siegel*, 3:98-cr-3240-B (U.S.D.C., S.D. Cal.) (“*Siegel III*”); and

1 C. In 1999, for the following offenses: (i) 14 counts of fraudulent use of  
 2 social security numbers in order to open bank accounts and with intent  
 3 to deceive multiple financial institutions (in violation of 42 U.S.C. §  
 4 408(a)(7)(B)); (ii) 4 counts of causing a financial institution to file  
 5 false Currency Transaction Reports with the IRS in connection with a  
 6 payment or transfer of currency (in violation of 31 U.S.C. §  
 7 5324(a)(2)); (iii) one count of making a false statement in an  
 8 application for a U.S. passport with the intent to induce and secure the  
 9 issuance of the passport (in violation of 18 U.S.C. § 1542); and (iv)  
 10 one count of fraudulent use of an instrument purporting to be a  
 11 passport (in violation of 18 U.S.C. § 1543). *See United States v.*  
 12 *Siegel*, 3:96-cr-763-K (U.S.D.C., S.D. Cal.) (“*Siegel IV*”).

13 11. On June 23, 1994, Siegel resigned from the State Bar of California with  
 14 charges pending against him. Since June 1994, Siegel has been ineligible to  
 15 practice law in any state.

16 12. As a result of Siegel’s criminal convictions in *Siegel I*, in 1997 the Board of  
 17 Accountancy for the California Department of Consumer Affairs revoked Siegel’s  
 18 C.P.A. license for committing crimes “related to the qualifications, functions and  
 19 duties of a certified public accountant.” At no time since 1997 did Siegel regain a  
 20 C.P.A. license in California or obtain such a license in any other state.

21 13. In August 1998, Siegel was arrested while a fugitive from federal  
 22 authorities following his failure to appear at the 1996 sentencing hearing in *Siegel*  
 23 *II*.

1       14. In May 1999, the U.S. District Court placed Siegel in the custody of the  
2 U.S. Bureau of Prisons to serve sentences resulting from his convictions in *Siegel*  
3 *II*, *Siegel III*, and *Siegel IV*. Siegel was released from federal prison in December  
4 of 2001 and has operated as a purported tax professional offering tax advice and  
5 tax preparation services to the public under various aliases, including Larry Lave  
6 and Yehuda Lave.

7       15. In 2008, Siegel purchased the tax practice of Peter A. Rice and Associates,  
8 including the practice's client list. Rice's tax practice was located in San Diego.  
9 Siegel has operated this tax practice under multiple d/b/a names, including: "Rice  
10 and Associates;" "Rice and Lave;" "Pete Rice and Larry Lave;" "Larry Lave, J.D.,  
11 CPA Tax and Accounting;" and "Lave Dash and Clark."

12       16. From at least 2008 to the present, Siegel has promoted tax fraud schemes  
13 and prepared fraudulent tax returns for his customers.

14       17. Siegel promotes his tax fraud schemes to dentists in California who are  
15 self-employed and high earners who own profitable businesses. Siegel also has  
16 customers in other professions and in locations throughout the United States.

17       18. Siegel primarily communicates with his customers remotely and/or  
18 electronically. This allows Siegel to more easily operate his tax practice from any  
19 location he chooses. As of 2013, approximately half of Siegel's practice  
20 comprised customers who obtain most, if not all, tax advice and tax preparation  
21 services from Siegel online (*e.g.*, electronic mail, Skype) or by other remote  
22 means. For example, Siegel obtained one customer, J.K., a resident of Chatsworth,  
23 California, as a result of Siegel's acquisition of Peter A. Rice and Associates. J.K.

1 was good friends with Rice and therefore trusted Siegel as the successor/owner of  
2 the tax practice. J.K. participated in Siegel's abusive tax arrangements on Siegel's  
3 advice, allowed Siegel to prepare his tax returns, and retained Siegel to initiate  
4 proceedings in U.S. Tax Court to contest deficiencies and penalties asserted by the  
5 IRS on tax returns Siegel prepared for J.K. (*see infra*. ¶ 65). J.K. never met Siegel  
6 in-person. All his communications with Siegel occurred over the telephone or  
7 through the Internet.

8  
9 *Siegel's Out-of-State  
"C" Corporation Scheme*

10 19. Siegel advises his customers to form and personally assists them to  
11 establish their businesses as "C" corporations, typically under Nevada law. A "C"  
12 corporation is governed by subchapter C of the I.R.C., and for federal tax purposes,  
13 it is treated as a separate legal entity from its shareholders. The "C" corporations  
14 Siegel advises his customers to establish are used as instruments by Siegel to  
15 illegally reduce or eliminate his customers' reported tax liabilities.

16 20. In some instances, Siegel improperly treats multiple, unrelated businesses,  
17 each owned by different Siegel customers, as a single "C" corporation for tax  
18 purposes. Siegel has prepared tax returns for these "community corporations" that  
19 improperly assign customer income to the "community corporation" and co-mingle  
20 reportable financials among the unrelated businesses. Siegel does this to illegally  
21 reduce the reported tax liabilities of his customers, including by claiming improper  
22 business expense deductions. Some of Siegel's customers who participate in these  
23 "community corporations" do so without their knowledge. For example:

- 1       A.     R.M., a resident of San Diego who works for a brokerage firm, hired  
2       Siegel to prepare his individual federal tax returns for multiple tax  
3       years;
- 4       B.     On federal income tax returns prepared for R.M. for tax years 2011  
5       and 2012, Siegel illegally assigned over \$150,000 of income R.M.  
6       received from his employer to a Nevada “community corporation”  
7       called Park Management. Siegel then falsely reported on Schedule C  
8       of R.M.’s individual tax returns for 2011 and 2012 that R.M. actually  
9       received this income from Park Management, instead of his employer;
- 10      C.     According to records filed with the Nevada Secretary of State, as of  
11      June 10, 2014, the president, vice-president, secretary, and one of the  
12      two reported directors of Park Management was “Lawrence Siegel.”  
13      The only additional listed director of record was “Larry Lave,” one of  
14      Siegel’s aliases;
- 15      D.     On the federal corporate income tax returns for Park Management and  
16      R.M.’s individual income tax returns, Siegel improperly offset R.M.’s  
17      reportable income with bogus claims for deductible business expenses  
18      that had no connection to R.M. For example, due to claims for  
19      improper business expense deductions, Siegel falsely reported that  
20      R.M. had negative total income (line 22 on IRS Form 1040) on R.M.’s  
21      2011 and 2012 individual tax returns that Siegel prepared; and  
22  
23

1 E. R.M. never gave Siegel permission to involve him in Park  
2 Management, never heard of Park Management, and never authorized  
3 Siegel to establish or involve him in any corporation.

4 21. Siegel also establishes out-of-state “C” corporations for use by a single  
5 customer.

6 22. Some of Siegel’s customers have pre-existing “S” corporations for their  
7 businesses when they first retain Siegel. For federal tax purposes, “S” corporations  
8 are treated like partnerships, with income (and resulting reportable tax liabilities)  
9 passed-through to the shareholders on a pro rata basis. Siegel advises customers  
10 that their “S” corporations are an improper corporate form, and any prior advice to  
11 form an “S” corporation was incorrect. Siegel further advises these customers that  
12 they should dissolve their “S” corporations to establish “C” corporations in Nevada  
13 or other states where the customers have no contacts.

14 23. Siegel prepares and files documents used to establish out-of-state “C”  
15 corporations, oversees recurring filings with state entities to maintain the corporate  
16 status of the companies, and, in most instances, names himself as an officer of  
17 these entities.

18 24. Siegel also advises his customers to establish bank accounts for the “C”  
19 corporations and assists them in doing so. In most instances, customers use these  
20 bank accounts to collect payments and fees owed to the customers’ business as part  
21 of its operations. For some of the companies he creates for customers, Siegel has  
22 direct access to these bank accounts, purports to maintain corporate records of the  
23 companies, and oversees or assists his customers with financial record-keeping by



1 preparing and/or maintaining Quick Books and financial journal entries for the  
2 companies.

3 25. In at least one instance in 2013, Siegel produced fake corporate minutes to  
4 the IRS after the IRS asked Siegel to provide copies of corporate records he  
5 purportedly maintained for a Nevada “C” corporation that he established for a  
6 married couple. The couple (Z.P. and S.P.) own and operate a medical practice in  
7 San Diego. Z.P. and S.P. never saw the corporate records, the minutes of meetings  
8 that noted their attendance were false, and someone forged the signature of Z.P. on  
9 the corporate minutes.

10 26. Siegel advises his customers that the “C” corporations he establishes have  
11 no business purpose. For example, Siegel established a “C” corporation under  
12 Nevada law for S.M., who operates a medical practice located solely in the San  
13 Diego area. Siegel instructed S.M. that his Nevada “C” corporation was  
14 established only for tax purposes and that S.M. should run his medical practice  
15 exactly as he had before.

16 27. Siegel falsely advises customers that by establishing an out-of-state “C”  
17 corporation, their home becomes an out-of-state business office with living  
18 quarters. According to Siegel, the “C” corporation can then pay for customer  
19 personal expenses incurred while living in the purported out-of-state business  
20 office (*i.e.*, the customer’s home). Siegel contends, falsely, that these payments by  
21 the corporation for customer personal expenses can be excluded from reportable  
22 income on the customer’s individual tax returns (IRS Forms 1040), as well as  
23 deducted as business expenses on “C” corporation tax returns (IRS Forms 1020).

1       28. Siegel falsely advises customers that they can characterize their home as an  
2 out-of state business office by creating a fictitious employment obligation between  
3 the individual customer and their “C” corporation. Specifically, Siegel falsely  
4 advises his customers that to treat their home as an out-of-state corporate office for  
5 federal tax purposes, the customer's Nevada “C” corporation (*i.e.*, an entity entirely  
6 controlled by Siegel and the customer) must require as a condition of employment  
7 that its corporate officers (*i.e.*, the same Siegel customer) live in the customer’s  
8 California home while working away from the corporation's home state of Nevada  
9 (*i.e.*, a state where the Siegel customer typically has no actual contact).

10       29. Legitimate home office deductions are permitted under the internal revenue  
11 laws under certain conditions. (*See* I.R.C. § 280A(C).) But Siegel falsely labels  
12 his customers’ entire home as an out-of-state business office to mischaracterize a  
13 vast array of customer personal expenses as business expenses. As Siegel  
14 explained in July 2013 e-mails he sent to multiple customers, “[i]n the C  
15 corporation case, we ARE NOT taking a home office deduction when the  
16 Corporate office is also a home. IT IS A BUSINESS OFFICE. It may be hard to  
17 understand this distinction, but it is critical in stabling [*sic*] the deduction.”

18       30. To further defend the fiction that customer homes are out-of-state corporate  
19 offices that customers must live in as a condition of employment, Siegel also  
20 informed his customers that he “will be coaching [them] before [IRS] interview[s]”  
21 to “help [customers] to answer the questions properly,” should the IRS ask  
22 questions about their “C” corporations.  
23

1       31. Siegel falsely advises his customers that his out-of-state business office  
2 scheme is valid because the customers, as business owners, are necessarily “on call  
3 24/7” while living or working from their out-of-state “business office.” For  
4 example, in July 2013, Siegel distributed a purported “memo” to his customers in  
5 an attempt to convince them that his scheme has merit. In the e-mail  
6 accompanying the “memo,” Siegel claimed that he wrote the “memo” for “tax  
7 court” in 2002 and falsely asserted that it “document[ed] the fact that [his  
8 customers] can deduct [their] rent and other expenses through [their] corporation  
9 when [they] are on call for that corporation.” Siegel further explained in his e-  
10 mail, falsely, that while “the internet was just getting hot for being on call” in  
11 2002, “[w]ithout a question in 2013 when we are truly on call 24/7 working at  
12 home is a deduction for the corporation.”

13       32. In Siegel’s “memo” accompanying his July 2013 e-mail, Siegel falsely  
14 advised his customers, leaving blanks for the applicable customer names and  
15 missing legal authority, that:

16               As noted by \_\_\_\_\_ himself, “working at [a] business office in which he also  
17 stays” is the only way his corporation can efficiently operate it’s [sic]  
18 business which is on Internet time 24/7/365. Thus requiring the  
19 Corporation’s key employee(s) to live on the Corporation’s business  
premises makes good business sense.

20       33. Similarly, Siegel falsely advised his customers in his “memo” that: (i)  
21 personal expenses paid by the corporation are exempt from taxation and are  
22 eligible for deduction on corporate returns when the corporation, controlled by  
23 Siegel and his customers, “require[es] the employee to be **on call** which under

1 today's internet e-mail or cell phone time (24/7/365) requires the presence of the  
2 employee to be on the **employer's business premises**"; and (ii) "the IRS will not  
3 challenge the employer's reasoning."

4 34. Siegel also articulated his out-of-state "C" corporation scheme to a  
5 colleague in a February 26, 2014 e-mail, writing "[w]hen a C corporation needs to  
6 have the president or chief operating officer available 24 hours a day or on call,  
7 they are entitled to give him free housing as part of his compensation package."  
8 This tax benefit, according to Siegel, can be substantial because "[t]he housing can  
9 [b]e luxurious and cost thousands a [] month. There is an assumption that  
10 corporations don't waste money."

11 35. Siegel falsely claims to customers that his out-of-state "C" corporation  
12 scheme is not "questionable" and is perfectly legal for the reasons stated in his e-  
13 mails and "memo," as addressed above. As Siegel wrote to one customer (K. S.)  
14 on July 24, 2013: "[y]ou have not done anything wrong," "[y]ou paid for  
15 professional help the same way that your clients come to you," "[n]othing we are  
16 doing is questionable," and "[a]s I told you, having a corporation is standard law."  
17 Siegel also falsely assured K.S. that any contention by the IRS that the "C"  
18 corporation scheme is questionable is incorrect, and advised him that "[t]he IRS  
19 just wants to make it difficult for you and you can't just cave in."

20 36. While falsely assuring customers that his out-of-state "C" corporation  
21 scheme is not "questionable," when his customers ask for details and an  
22 explanation about what Siegel is doing on their behalf, Siegel avoids providing  
23 them with information. Instead, Siegel falsely assures his customers that, among

1 other things: (i) he is a qualified C.P.A., licensed tax attorney, and tax expert with  
2 years of experience (*see infra*. ¶¶ 56-68); (ii) he cannot fully educate these  
3 customers who lack tax expertise; and (iii) they should simply trust him.

#### 4 5 *Fraudulent Tax Returns*

6 37. Siegel uses the out-of-state “C” corporations he establishes for customers  
7 to improperly reduce their reported tax liabilities and to claim fraudulent tax  
8 refunds on returns he either prepares or directs his employees to prepare.  
9 Specifically, Siegel falsely assures customers that by characterizing their homes as  
10 offices, this fiction allows them to deduct personal expenses, such as meal costs,  
11 utility bills, payments for their home, and vehicles driven at least in part for  
12 personal use, as business expenses on the “C” corporation tax returns (*i.e.*, IRS  
13 Form 1020) that Siegel prepares or directs his employees to prepare. Similarly,  
14 Siegel falsely advises that these personal expenses paid by the customers’ “C”  
15 corporations do not need to be reported as compensation on individual income tax  
16 returns (*i.e.*, IRS Form 1040) that Siegel prepares or directs his employees to  
17 prepare.

18 38. Siegel admits responsibility for the improper business expense deductions  
19 he claims on behalf of his customers on “C” corporation tax returns. For example,  
20 as Siegel wrote in one e-mail he sent to a customer (J.L.), a vice-president of a  
21 technology company in San Diego, “I purposely confuse the issue to allow us to  
22 turn the \$40,000 tax payment into zero” and “[b]y using a Corporation, items that  
23

1 are not deductible for the W-2 person become deductible for you based on my  
2 decision.”

3 39. Siegel also provides specific guidance to his customers about which  
4 personal expenses to track so that Siegel can improperly claim them as business  
5 expense deductions on “C” corporation tax returns he prepares (or employees  
6 acting at Siegel’s direction prepare). For example, in an August 24, 2012 e-mail to  
7 A.B., a customer who owns a pool cleaning and maintenance company in the San  
8 Diego area with her husband, Siegel advised her that she was failing to provide  
9 him records of personal expenses for Siegel to improperly deduct on their “C”  
10 corporation tax returns. Siegel instructed A.B. that “you are missing some  
11 expenses” associated with personal use of their home, such as “utilities,  
12 repairs/improvements, etc.” Siegel instructed A.B. in the e-mail that “[t]he  
13 expenses are for your home, which is your office for the business.”

14 40. Siegel also advised A.B. that she can improperly claim vacation expenses  
15 as business expense deductions if she can come up with some *de minimis* business  
16 purpose for a small portion of the trip. Siegel falsely told A.B. that this would  
17 allow her to claim the costs of an entire vacation as a deductible business expense.

18 41. Siegel fraudulently categorizes and combines various miscellaneous  
19 personal expenses of his customers and reports them as deductible business  
20 expenses on “C” corporation tax returns he prepares for the same customers. In  
21 order to conceal his conduct from the IRS, Siegel lumps bogus deductions into a  
22 single, large deduction and categorizes them as supplies or office expenses on  
23 corporate tax returns he prepares. For example:

- 1       A.    Z.P. and S.P. gave Siegel direct access to their credit card records,  
2       which include Z.P. and S.P.'s personal expenses.
- 3       B.    Siegel told Z.P. and S.P. to pay for everything with credit cards so that  
4       Siegel could determine which expenses to deduct on the tax returns he  
5       prepared for them.
- 6       C.    During 2010, 2011, and 2012, Z.P. and S.P. made various personal  
7       purchases on their Bank of America credit cards for luxury items,  
8       vacations, and personal services, such as charges at Tiffany &  
9       Company, Royal Caribbean Cruise Lines, Louis Vuitton, Princess  
10      Cruise Lines, Fine Beauty Cosmetics, Sea World, and a veterinary  
11      hospital located in Chula Vista, California.
- 12      D.    Siegel took Z.P. and S.P.'s personal expenses and listed them as  
13      business expenses in general ledgers maintained by Siegel, or other  
14      employees acting at Siegel's direction, for Z.P. and S.P.'s "C"  
15      corporation, an entity Siegel established.
- 16      E.    Using these "business" records, Siegel then prepared the 2011 and  
17      2012 "C" corporation tax returns for Z.P. and S.P. that improperly  
18      claim these and other personal expenses as deductible business  
19      expenses. Siegel fraudulently categorized these expenses as "Medical  
20      Records and Supplies" for 2011 and business "Supplies" for 2012.

21      42. Siegel advises and assists customers to claim fraudulent deductions on  
22      corporate tax returns he prepares in order to improperly "zero-out" (*i.e.*, entirely  
23      offset) the corporation's reported tax liability on "C" corporation tax returns. For

1 example:

2 A. Siegel advised S.M. that he could reserve funds in his “C” corporation  
3 as an “insurance warranty” that Siegel would administer.

4 B. Based on Siegel’s explanation, S.M. understood that the “insurance  
5 warranty” could serve as a reserve of cash that would effectively be a  
6 self-insurance policy for S.M.’s “C” corporation. This expense,  
7 according to Siegel, was tax deductible for the “C” corporation and  
8 would lower the corporation’s reported taxable income.

9 C. Siegel’s explanation was false. Although Siegel claimed a \$50,000  
10 insurance warranty expense deduction on the 2010 corporate tax  
11 return he prepared for S.M.’s “C” corporation, no valid insurance  
12 warranty existed.

13 D. In addition to the claimed deduction for the fake “insurance  
14 warranty,” Siegel also claimed a \$50,000 deduction for the expense of  
15 an entirely fictitious employee benefit plan on the 2010 corporate tax  
16 return of S.M.’s company.

17 43. Siegel also claims improper business expense deductions on Schedule C of  
18 customer individual tax returns.

19 44. When Siegel prepares or directs his employees to prepare tax returns for  
20 customers, he fails to properly acquire, create, or retain work papers and records to  
21 support the positions taken on the returns. For example, the 2010 tax return Siegel  
22 prepared for J.L.’s “C” corporation claims over \$115,000 in unexplained business  
23 expenses. J.L. had no information why the deduction was claimed on his “C”



1 corporation tax return and deferred any explanation of the expense to Siegel.  
2 Neither J.L. nor Siegel were able to provide any documentation to the IRS to  
3 substantiate this deduction.

4  
5 *Evasion of  
Employment Taxes*

6 45. Siegel advises and assists customers to use their out-of-state “C”  
7 corporations to mischaracterize income paid from the “C” corporation to individual  
8 customers as royalties, consulting fees, or rental payments. Siegel falsely claims  
9 that by mischaracterizing income from “C” corporations to individual customers as  
10 royalties, consulting fees, or rental payments, customers can transfer funds  
11 collected by the “C” corporation from business operations to the individual  
12 customer, while exempting those payments to the customers from federal  
13 employment taxes.

14 46. Under the Internal Revenue laws, Siegel should treat his customers who  
15 establish “C” corporations as employees of their respective companies. Those “C”  
16 corporations should, in turn, collect and pay-over federal employment taxes of  
17 their employees. Instead, Siegel incorrectly claims that his customers are self-  
18 employed and subject to self-employment taxes for income the customers receive  
19 from their “C” corporations. In any event, under his tax fraud schemes, Siegel  
20 improperly advises and assists his customers to avoid paying employment taxes –  
21 either self-employment taxes or employment taxes by the “C” corporation – by  
22 mischaracterizing income paid from the “C” corporation to individual customers as  
23 royalties, consulting fees, or rental payments, which Siegel reports on Schedule C

1 of each customer's individual tax return.

2 47. To mischaracterize income as royalties, Siegel falsely advises his  
3 customers that their out-of-state "C" corporations can acquire customers'  
4 "intellectual property," which according to Siegel includes the customers'  
5 professional skills and expertise. For the "C" corporation to purportedly obtain  
6 control over the customers' "intellectual property," Siegel improperly advises them  
7 to enter into "License Agreements" with their "C" corporation in order for the  
8 corporation to purportedly acquire a "lease" for control over the customers'  
9 professional skills and knowledge. Under this sham arrangement, Siegel falsely  
10 contends that customers can receive payments from their "C" corporation and  
11 classify these sums on "C" corporation tax returns as "royalties," which Siegel  
12 erroneously contends makes the payments exempt from employment taxes.

13 48. For example, in 2010, Siegel established a Nevada "C" corporation for J.L.,  
14 naming himself (Siegel) as a director and the treasurer of the company. The idea  
15 of creating the "License Agreement" came from Siegel. Siegel drafted a "License  
16 Agreement and Covenant Not to Sue" for J.L. and signed it as "General Manager"  
17 of the Nevada "C" corporation. Under the sham contract, J.L. leased undefined  
18 "intellectual property" to the "C" corporation in exchange for various payments,  
19 including a "royalty" exceeding \$80,000 in 2011. But J.L.: (1) had no intangible  
20 property to convey under the "License Agreement"; and (2) signed the contract at  
21 Siegel's instruction, but did not know what royalties were. As a result of falsely  
22 reporting this \$80,000 royalty, in addition to other mischaracterized payments J.L.  
23 received from his corporation, J.L. owed over \$55,000 in unpaid employment taxes

1 for 2011.

2 49. In another example, Siegel established a “C” corporation for K.S. and S.S.  
3 Siegel falsely told K.S. and S.S. that they could take over \$100,000 of  
4 compensation from their “C” corporation, which collected the payments of the  
5 couple’s medical practice, and call that payment a royalty from the “C”  
6 corporation. In a May 26, 2011 e-mail to K.S., Siegel explained that in connection  
7 “with the magic we used when we closed your S-Corp at the beginning of the  
8 year,” “[b]y giving you this royalty instead of regular schedule C income, we  
9 made it so that you do not need to pay self employment tax on this income saving  
10 you at least \$16,000 in taxes.” Siegel advised, however, that it would be  
11 necessary to create a sham, back-dated license agreement to justify the tax position  
12 on any tax returns he prepared for K.S. and S.S., writing that “[w]e will need to  
13 write-up a royalty agreement at some point in the future to make this return iron  
14 clad.” Siegel never provided K.S. or S.S. with any license agreement to sign.  
15 Nonetheless, Siegel prepared and filed a 2010 Form 1040 individual tax return on  
16 behalf of K.S. and S.S. that reports a bogus royalty payment.

17 50. In 2013, Siegel produced to the IRS an unsigned license agreement for D.F.  
18 and A.B. as purported support for Siegel’s scheme to evade employment taxes on  
19 their behalf. That license agreement is dated July 1, 2010. D.F. and A.B. do not  
20 recognize the license agreement and cannot explain its contents or its purpose.  
21 Despite Siegel’s unsigned signature block on the contract identifying him as  
22 “General Manager” of D.F. and A.B.’s company, Siegel was neither the company’s  
23 “General Manager” nor authorized to sign any contract on behalf of D.F. and

1 A.B.'s pool cleaning and maintenance business.

2 51. For another customer, S.M., Siegel falsely informed him that a "royalty" is  
3 simply what a salary from a "C" corporation is called.

4 52. In order to evade payment of employment taxes, Siegel also improperly  
5 instructed his customers to use funds of the "C" corporation to pay for the  
6 customers' living expenses, list the income as shareholder loans in Quick Books,  
7 and provide Quick Books files to Siegel so they could be falsely reported as  
8 "royalties" on the "C" Corporation's journal entries. Siegel then used these  
9 records to prepare "C" Corporation tax returns that falsely characterized the  
10 customer income as royalty payments.

11 53. Siegel knows that characterizing income as royalties under sham "License  
12 Agreements" is improper. In 2014, when asked by a colleague about this practice,  
13 Siegel asserted that mischaracterizing income as royalties is "not a problem unless  
14 the IRS finds it."

15 54. Siegel also has his customers evade paying employment taxes by  
16 characterizing the compensation they obtain from their "C" corporations as  
17 purported rental payments by the "C" Corporation for use of the customer's home  
18 as a corporate "office." (*See supra*, ¶¶ 27-36.) For example, in a July 7, 2011 e-  
19 mail to one customer (W.C.), a doctor who works from Carlsbad, California, Siegel  
20 wrote that "[i]n order to save you from paying a large amount in self[-]employment  
21 tax we gave you \$100,000 as a royalty and \$100,000 as rent for use of your home  
22 as an office." Siegel further explained that "[t]his saved you around \$14,000 that  
23 you would have had to pay in self[-]employment tax."

1       55. Siegel also prepares or direct his employees to prepare tax returns that  
2 falsely mischaracterize his customers' income, which is subject to employment tax,  
3 as "consulting" fees from the "C" corporation. To reduce or eliminate the  
4 customers' individual tax liability, Siegel then claims bogus deductions, such as  
5 supplies, office, and contract labor expenses on Schedule C of the customers'  
6 individual tax returns.

7  
8                   *Misrepresentation of Credentials,  
                    Use of False Identities, and Unauthorized Practice of Law*

9       56. Although he lost his law and C.P.A. licenses, Siegel has repeatedly and  
10 falsely represented to customers, government agents, and the public-at-large that  
11 he is a licensed attorney and/or C.P.A. Siegel has also concealed his legal name  
12 from customers and assumed false identities in order to make it difficult to  
13 discover his true professional and criminal background. Siegel illegally practices  
14 as a C.P.A. and lawyer without any licenses.

15       57. In order to solicit business for his tax practice, Siegel falsely represents to  
16 the public that he is licensed to practice law and has a C.P.A. license. For  
17 example, as of January 2014, Siegel claimed on his LinkedIn webpage that he is an  
18 "[i]nteresting combination of a Tax Lawyer and C.P.A. who is also a Rabbi  
19 trained in Spirituality. I [Siegel] combine all of these activities to give you a  
20 holistic way of life." Siegel's LinkedIn page lists his specialties as "Tax and Real  
21 Estate Law and Spirituality." Similarly, as of April 2014, Siegel asserted on his  
22 blog website that "[m]y goal as a spiritual Rabbi, Tax Attorney and CPA is to save  
23

1 people money without going to jail ... Everybody wants to pay very little tax, I do  
2 it legally and morally under the Torah.”

3 58. Siegel also misrepresents his identity and qualifications in direct  
4 communications to his customers. In May 2013, for example, Siegel sent an e-  
5 mail to multiple customers and claimed that “I am **tax attorney and accountant**  
6 **Larry Lave**” who, among other professional services, “**help[s] clients nationwide**  
7 **with the following IRS tax issues,**” including “IRS Criminal Tax Defense” and  
8 “Tax Court Litigation.” In the same e-mail, Siegel asserted that “**EXPERIENCE**  
9 **IS CRITICAL,**” “I have 38 years of tax law experience,” and “[y]ou need a  
10 **‘Super Lawyer’ with 38 years of Tax Law experience working for you.**”

11 Similarly, in a December 10, 2010 e-mail to C.S., a doctor who resides in Idaho,  
12 Siegel boasted about the scope of the tax and financial services he provides. Siegel  
13 wrote in the e-mail that “since I am also an attorney and family planner and  
14 spiritual advisor, I also practice holistically and give [customers] my advice on the  
15 whole picture.”

16 59. To further conceal his background and deceive customers, Siegel has  
17 displayed false versions of professional certificates in his business office, including  
18 a purported C.P.A. license and certificate from the Supreme Court of the State of  
19 California for admission as an “Attorney and Counselor at Law.” Both certificates  
20 conceal his actual legal name, Lawrence Preston Siegel, and display the alias  
21 “Lawrence Preston Lave.” In short, Siegel fabricated the licenses to deceive his  
22 customers.  
23

1       60. Siegel also falsely represented that he is a licensed C.P.A. to banks in order  
2 to help secure financing on behalf of his customers. For example, Siegel listed  
3 himself as a licensed C.P.A. on a form used by Wells Fargo to verify its customers'  
4 self-employment. Siegel submitted the verification form, dated October 4, 2011, to  
5 Wells Fargo Home Mortgage on behalf of S.M.

6       61. Siegel falsely claimed to customers that he is a former IRS employee.

7       62. Siegel improperly encourages his customers to hire him to perform legal  
8 services. In 2010, for example, D.F. and A.B. hired Siegel to prepare a will and  
9 family trust on their behalf. Similarly, S.M., who sought possible legal work from  
10 Siegel based on Siegel's misrepresentation that he is a licensed attorney, asked  
11 Siegel in a May 18, 2010 e-mail whether he formed trusts for his customers.  
12 Siegel responded "of course."

13       63. Siegel falsely represented his qualifications to the IRS when defending  
14 positions he took on behalf of his customers. For example, in 2010 and 2011,  
15 Siegel submitted representation forms (IRS Forms 2848) to the government in  
16 order to represent his customers under IRS audit for tax returns Siegel prepared.  
17 Siegel signed these Forms 2848 under penalty of perjury, but falsely claimed on  
18 the forms that he was a licensed C.P.A. in California.

19       64. Siegel has also forged the signatures of other licensed attorneys on  
20 correspondence Siegel sent to the IRS on behalf of his customers and impersonated  
21 these attorneys on telephone calls with the IRS.

22       65. Although Siegel is not eligible to appear as counsel for his customers in  
23 federal court, he nonetheless drafted and filed documents in U.S. Tax Court by

1 impersonating licensed attorneys on behalf of J.K. Siegel repeatedly deceived  
2 J.K., the IRS, and the Tax Court during a proceeding Siegel initiated on J.K.'s  
3 behalf and, on at least one occasion, forged J.K.'s signature on a document Siegel  
4 filed in U.S. Tax Court. Specifically:

- 5 A. On December 3, 2012, Siegel filed a petition with the U.S. Tax Court  
6 to contest over \$115,000 of tax liabilities asserted by the IRS against  
7 J.K. Siegel prepared all the 2007-2009 tax returns at issue in the case,  
8 but he falsely listed the preparer on the 2007 return as Peter Rice.
- 9 B. Siegel forged the signature of a licensed attorney, J.G., on the petition  
10 to the Tax Court. J.K.'s signature on the petition is also a forgery.
- 11 C. Similarly, the IRS Form 2848 Siegel submitted to the government to  
12 represent J.K. during IRS audits falsely lists himself as "Larry Lave,  
13 J.D., C.P.A." and J.G. as representatives, as well as the forged  
14 signature of J.K.
- 15 D. J.K. never met or even heard of J.G. Siegel never provided a copy of  
16 the petition to J.K., nor asked him to sign it. Siegel lead J.K. to  
17 believe, incorrectly, that Siegel was a licensed attorney and J.K.'s  
18 counsel of record in Tax Court.
- 19 E. On June 25, 2013, Siegel filed a substitution of attorney form in Tax  
20 Court substituting I.V. in place of J.G. as the attorney of record in the  
21 J. K. Tax Court case. Siegel lied to J.K. and told him that I.V. was  
22 actually Siegel's own birth name, which Siegel claimed that he  
23 changed to Larry Lave. Due to Siegel's deception, when J.K.



1 researched and confirmed that someone named I.V. was a licensed  
2 attorney in California, J.K. mistakenly thought the valid California  
3 law license issued to I.V. belonged to Siegel.

4 F. While J.K.'s Tax Court case was pending, Siegel resisted and  
5 obstructed efforts by the IRS to determine whether the petitioner's  
6 filings were genuine. For example, in a December 16, 2013 letter to  
7 the IRS purportedly signed by I.V., Siegel falsely reported that  
8 "pursuant to your request," he had "spoke[n] to [J.K.] and he  
9 confirmed his signature to the petition." J.K. claims that no one ever  
10 asked him to confirm the signature on the Tax Court petition and  
11 confirmed that his signature on the petition is a forgery.

12 G. On August 22, 2013, the Tax Court issued a notice setting the date  
13 and location for trial – San Diego. Siegel never provided this notice  
14 to J.K.

15 H. By December 2013, Siegel advised J.K. that he should concede the  
16 Tax Court case because he would probably lose, and Siegel claimed  
17 that it would cost \$50,000 to litigate. Siegel also falsely told J.K. that  
18 the \$50,000 cost was due, in part, to extra expenses Siegel would  
19 incur because the trial would take place in Nevada.

20 I. On January 30, 2014, the IRS filed a motion to dismiss J.K.'s Tax  
21 Court case for lack of jurisdiction on the grounds that the petition was  
22 not signed by the petitioner or by someone admitted to practice before  
23

1 the Court and authorized to act on the petitioner's behalf. On March  
2 19, 2014, the Tax Court granted the motion.

3 J. Siegel neither informed J.K. that his petition had been dismissed for  
4 lack of jurisdiction, nor provided him copies of the motion to dismiss  
5 and order of dismissal. Siegel refused to provide J.K. with copies of  
6 pleadings and orders from the Tax Court case, despite J.K.'s repeated  
7 requests to Siegel to do so.

8 66. Even after his customers learned of Siegel's multiple aliases during IRS  
9 audits of tax returns that Siegel prepared (or his employees prepared at his  
10 direction), Siegel continued to lie to his customers about his true identity. In 2013,  
11 when Z.P. and S.P. asked Siegel about his multiple aliases, Siegel falsely  
12 responded that the IRS was "just making stuff up." Similarly, in 2013, when  
13 another customer, K.S. and S.S., asked Siegel why the IRS was asking questions  
14 about their understanding of Siegel's qualifications as a lawyer, Siegel falsely told  
15 them that he simply owed membership dues to the California bar, when in fact, he  
16 resigned in 1994 with charges pending against him.

17 67. Siegel also routinely lists false identifiers on tax returns he prepares by  
18 using the preparer tax identification numbers ("PTINs") and electronic filing  
19 identification numbers ("EFINs") of others in order to evade detection by the IRS.  
20 The IRS issues PTINs to anyone who prepares or assists in preparing federal tax  
21 returns for compensation and EFINs to identify firms authorized to electronically  
22 file tax returns. For example, Siegel has improperly used the PTINs of Peter Rice  
23

1 and J.G. to file tax returns he prepared, as well as an EFIN issued by the IRS to  
2 another tax preparation practice.

3 68. Siegel understood that concealing his true identity and felony convictions  
4 from 1994 to 1999, as well as the loss of his law and C.P.A. licenses, was  
5 important to maintaining his tax practice and convincing customers that his tax  
6 fraud schemes were actually legal. As Siegel wrote in an April 16, 2014 e-mail to  
7 a colleague regarding their professional dealings: “Look ... I guess it is hard to  
8 believe I am telling the truth, since I was forced to skirt the truth the last 20 years  
9 because of what they did to me the first time 20 years ago.”

10  
11 *Other Misconduct*

12 69. During IRS audits of Siegel’s customers, when revenue agents requested  
13 documents to substantiate positions Siegel claimed on his customers’ tax returns,  
14 Siegel failed to provide the necessary documentation and otherwise attempted to  
15 delay and obstruct the IRS examinations. For example, on at least one occasion,  
16 Siegel told a customer, K.S. and S.S., that he would “inundate the IRS” with  
17 documentation in order to obstruct their audit. Siegel also knowingly provided  
18 false corporate documents to the IRS in order to deceive auditors (*see supra*, ¶ 25),  
19 produced bogus contracts to IRS auditors as purported support for his tax fraud  
20 schemes (*see supra*, ¶ 50), and lied to IRS officials during U.S. Tax Court  
21 litigation when asked to confirm information on behalf of his customers (*see supra*,  
22 ¶¶ 65(F)).  
23

1       70. On at least two occasions, Siegel filed tax returns for customers without  
2 authorization. In 2013, Siegel filed an IRS Form 1020 corporate tax return for the  
3 “C” corporation owned by D.F. and A.B. without reviewing the return with them  
4 or requesting their permission to file it.

5       71. Similarly, Siegel filed an individual 2009 tax return for C.S., a resident of  
6 San Diego, without her authorization. Prior to filing C.S.’s tax return, Siegel  
7 recommended to her that she not report over \$80,000 of alimony income in order  
8 to evade paying federal income tax. Siegel advised her that if the IRS found out  
9 about the unreported alimony payments, they could address the matter at that time.  
10 C.S. informed Siegel that she wanted to report these alimony payments on her tax  
11 return and did not want Siegel to file her 2009 tax return. Siegel ignored her.  
12 When C.S. subsequently went to a licensed C.P.A. to have her 2009 tax return  
13 prepared, she learned that Siegel had already filed the return without her  
14 permission and without reporting her alimony payments.

15  
16 *Harm*

17       72. Since at least 2009, Siegel has promoted and continues to promote tax-  
18 fraud schemes and prepare fraudulent tax returns, including but not limited to the  
19 schemes described above.

20       73. These schemes have caused and continue to cause substantial harm to the  
21 United States by fraudulently reducing the tax liabilities of Siegel’s customers,  
22 helping taxpayers evade taxes, deceiving the U.S. Tax Court, and obstructing the  
23 IRS’s efforts to administer the federal tax laws.

1       74. The United States is harmed because the IRS must continually devote  
2 limited resources to detecting and examining inaccurate returns filed by Siegel's  
3 customers, attempt to assess and collect unpaid taxes, and investigate Siegel's  
4 conduct.

5       75. Siegel also harms his customers by deceiving them about the legality of his  
6 schemes and the positions he takes on their tax returns. These customers are liable  
7 for taxes owed and potential penalties for following Siegel's advice.

8       76. Siegel's misconduct harms the public at-large by undermining the public  
9 confidence in the federal tax system and encouraging violations of the internal  
10 revenue laws.

11       77. The harm to the government and the public will increase unless Siegel is  
12 enjoined because – given the seriousness and pervasiveness of his illegal conduct –  
13 without an injunction, he is likely to continue promoting abusive tax schemes and  
14 preparing improper federal tax returns for customers. An injunction will serve the  
15 public interest because it will put a stop to Siegel's illegal conduct and the harm  
16 that conduct causes the United States and the public.

17                   **COUNT I: Injunction Under I.R.C. § 7408**

18       78. The United States incorporates by reference the allegations contained in  
19 paragraphs 1 through 77.

20       79. Section 7408 of the I.R.C. authorizes a court to enjoin persons who have  
21 engaged in any conduct subject to penalty under I.R.C. §§ 6700 or 6701 if the  
22 court finds that injunctive relief is appropriate to prevent recurrence of such  
23 conduct.

1       80. Any person who organizes or sells a plan or arrangement and in connection  
2 therewith makes or furnishes or causes another person to make or furnish a  
3 statement regarding the securing of a tax benefit that the person knows, or has  
4 reason to know, is false or fraudulent as to any material matter is subject to penalty  
5 under Section 6700 (“Promoting Abusive Tax Shelters, Etc.”) of the I.R.C.

6       81. Through his promotion of the tax fraud schemes described above, Siegel  
7 makes and furnishes false and/or fraudulent material statements regarding the  
8 legality of certain deductions, the excludability of income, and the securing of tax  
9 benefits derived from participation in his tax fraud schemes. Siegel knows and/or  
10 has reason to know that these statements are false or fraudulent.

11       82. Any person who prepares or aids, assists, or advises with respect to the  
12 preparation of a document that he knows or has reason to believe will be used in  
13 connection with any material matter arising under the internal revenue laws and  
14 who knows that the document, if so used, would result in an understatement of  
15 another person’s tax liability is subject to penalty under Section 6701 (“Penalties  
16 for Aiding and Abetting Understatement of Tax Liability”) of the I.R.C.

17       83. Siegel drafted and helps draft numerous documents, including tax returns,  
18 that implement the tax fraud schemes described above and cause the  
19 understatement of liability. Siegel knows that these documents (or portions of  
20 these documents) have been used in connection with one or more material matters  
21 arising under the internal revenue laws. Siegel also knows that the documents (or  
22 portions of these documents) that he drafts and helps draft, if used, would result in  
23 the understatement of another person’s tax liabilities.

1       84. Pursuant to I.R.C. § 7408, Siegel should be permanently enjoined from  
2 engaging in any further conduct that violates I.R.C. §§ 6700 and 6701. Given the  
3 seriousness and pervasiveness of his misconduct, including the promotion and  
4 implementation of the tax fraud schemes described in this complaint and Siegel's  
5 repeated misrepresentations to customers, the United States, and the U.S. Tax  
6 Court, in the absence of an injunction backed by the Court's contempt powers,  
7 Siegel will likely continue to engage in such conduct.

8                   **COUNT II: Injunction Under I.R.C. § 7407**

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

11       86. Section 7407 of the I.R.C. authorizes a district court to enjoin a person who  
12 is a tax return preparer from engaging in certain prohibited conduct or from further  
13 acting as a tax return preparer. The prohibited conduct justifying an injunction  
14 includes, among other things: (a) engaging in conduct subject to penalty under  
15 I.R.C. §§ 6694 and 6695; (b) misrepresenting one's experience or education as a  
16 tax preparer; and (c) engaging in any other fraudulent or deceptive conduct that  
17 substantially interferes with the proper administration of the internal revenue laws.

18       87. If the court finds that the preparer has engaged in prohibited conduct  
19 subject to injunction under I.R.C. § 7407, injunctive relief is appropriate to prevent  
20 the recurrence of the conduct. Additionally, if a court finds that a preparer has  
21 continually or repeatedly engaged in such conduct, and the court finds that a  
22 narrower injunction (*i.e.*, prohibiting only that enumerated conduct) would not be  
23 sufficient to prevent that person's interference with the proper administration of the

1 internal revenue laws, the court may enjoin the person from further acting as a  
2 federal tax return preparer entirely.

3 88. As described above, Siegel has continually and repeatedly engaged in  
4 conduct subject to penalty under I.R.C. § 6694 by, among other things: (a)  
5 preparing federal tax returns for customers that contain unreasonable positions that  
6 he knows (or reasonably should know) are unreasonable; and (b) willfully  
7 attempting to understate his customers' tax liabilities and recklessly disregarding  
8 IRS rules and regulations.

9 89. Siegel has also engaged in conduct subject to penalty under I.R.C. § 6695,  
10 including by failing to accurately sign returns and by falsely furnishing the PTIN  
11 and EFIN numbers of other preparers on tax returns he prepared.

12 90. In addition, Siegel has continually and repeatedly engaged in fraudulent or  
13 deceptive conduct that substantially interferes with the proper administration of the  
14 internal revenue laws. Examples of such misconduct include, among other things:  
15 (a) knowingly preparing or assisting in the preparing of tax returns containing false  
16 and fraudulent information; (b) deceiving the U.S. Tax Court when attempting to  
17 defend positions he took on tax returns he prepared for his customers; (c)  
18 misrepresenting his identity and credentials to the IRS, including on IRS Forms  
19 2848; and (d) improperly using EFIN and PTIN numbers assigned to others in  
20 order to prepare tax returns. All this constitutes conduct that should be enjoined  
21 under I.R.C. § 7407.

22 91. If Siegel is not enjoined, he is likely to continue to cause the filing of false  
23 and fraudulent tax returns and to engage in fraudulent conduct.



1       92. Siegel's repeated and continual conduct subject to injunction under I.R.C. §  
2 7407, detailed above, shows that a narrow injunction prohibiting only specific  
3 conduct would be insufficient to prevent future violations of the internal revenue  
4 laws. Thus, Siegel should be permanently barred from acting a federal tax return  
5 preparer.

6                   **COUNT III: Injunction Under I.R.C. § 7402**

7       93. The United States incorporates by reference the allegations in paragraphs 1  
8 through 92.

9       94. Section 7402 of the I.R.C. authorizes a court to issue orders of injunction as  
10 may be necessary or appropriate for the enforcement of the internal revenue laws,  
11 even if the United States has other remedies available for enforcing those laws.

12       95. Siegel's activities, described above, substantially interfere with the  
13 enforcement of the internal revenue laws, including by: (i) promoting abusive tax  
14 schemes; (ii) preparing tax returns that result in customers not paying their true  
15 federal income tax liabilities and/or receiving improper refunds; (iii) attempting to  
16 conceal his true identity and qualifications from the IRS, the U.S. Tax Court, and  
17 his customers; and (iv) obstructing efforts by the IRS and his customers to verify  
18 tax positions he takes on behalf of his customers.

19       96. Unless enjoined, Siegel is likely to continue to engage in this improper  
20 conduct. If Siegel is not enjoined, the United States will suffer irreparable injury  
21 by failing to receive accurate tax returns and payments from Siegel's customers  
22 and, in some cases, erroneously providing federal tax refunds to customers not  
23 entitled to receive them.

1       97. The substantial harm caused to the United States and the public by Siegel's  
2 misconduct outweighs the harm to Siegel of being enjoined.

3       98. Permanently enjoining Siegel under I.R.C. § 7402 is in the public interest  
4 because an injunction, backed by the Court's contempt powers, if needed, will stop  
5 his illegal conduct and the harm caused the United States.

6       WHEREFORE, plaintiff, United States of America, respectfully prays for  
7 the following:

- 8       A. That the Court find that Siegel has engaged in conduct subject to  
9 penalty under I.R.C. §§ 6700 and 6701 and that injunctive relief is  
10 appropriate under I.R.C. § 7408 to prevent a recurrence of that  
11 conduct;
- 12       B. That the Court find that Siegel has engaged in conduct subject to  
13 penalty under I.R.C. §§ 6694 and 6695, and that injunctive relief  
14 under I.R.C. § 7407 is therefore necessary and appropriate to prevent  
15 the recurrence of that conduct;
- 16       C. That the Court find that Siegel has continually or repeatedly interfered  
17 with the proper administration of the internal revenue laws and  
18 engaged in conduct in violation of I.R.C. §§ 6694 and 6695, and  
19 therefore an injunction permanently barring Siegel from further acting  
20 as a federal tax return preparer is necessary and appropriate;
- 21       D. That the Court find that Siegel engaged in conduct that substantially  
22 interferes with the administration and enforcement of the internal  
23

1 revenue laws and that injunctive relief is appropriate to prevent  
2 recurrence of that conduct under I.R.C. § 7402;

3 E. That the Court, pursuant to I.R.C. §§ 7402, 7407 and 7408, enter a  
4 permanent injunction prohibiting Siegel (individually and through any  
5 other name or entity), and his representatives, agents, servants,  
6 employees, attorneys, and those persons in active concert or  
7 participation with him, from directly or indirectly

8 i. Organizing, promoting, or selling (or helping others to organize,  
9 promote, or sell) the fraudulent tax schemes described in this  
10 complaint, and any substantially similar plans or arrangements,  
11 or any other business or tax services that attempt to: (a) illegally  
12 reduce a customer's taxable income by using a "C" corporation  
13 or any other entity; (b) illegally reduce a customer's taxable  
14 income by using a "C" corporation or any other entity to  
15 fraudulently pay for and deduct personal expenses of the  
16 customer; (c) claim improper deductions on a customer's  
17 personal tax return; or (d) improperly characterize employee  
18 compensation as non-employee compensation to evade payment  
19 of employment taxes;

20 ii. Organizing, promoting, or selling (or helping others to organize,  
21 promote, or sell) the fraudulent tax schemes described in this  
22 complaint, and any other tax shelter, plan, or arrangement that  
23 incites or assists customers to attempt to violate the internal

- 1 revenue laws or evade the assessment or collection of their  
2 federal tax liabilities or claim improper tax refunds;
- 3 iii. Misrepresenting his professional qualifications to any individual  
4 or entity;
- 5 iv. Providing any individual or entity with advice relating to federal  
6 taxes or representing taxpayers before the IRS;
- 7 v. Managing, supervising, working in, profiting from, or otherwise  
8 being involved in any tax return preparation business in any  
9 way;
- 10 vi. Acting as a federal tax return preparer or owning or otherwise  
11 aiding, assisting, and/or advising with respect to the preparation  
12 of any federal tax return, tax forms, or related documents for  
13 anyone other than himself; and
- 14 vii. Engaging in conduct designed or intended to, or having the  
15 effect of obstructing or delaying an IRS investigation or audit,  
16 including providing false documents and information to the IRS.

17 F. That the Court, pursuant to I.R.C. § 7402, enter an order requiring  
18 Siegel to remove from any website that he has access to or the right to  
19 access, all false claims that he is a C.P.A., licensed attorney, or is  
20 authorized to provide tax advice or prepare tax returns for others;

21 G. That the Court, pursuant to I.R.C. § 7402, permanently bar Siegel  
22 from using, maintaining, renewing, obtaining, transferring, selling, or  
23 assigning any PTIN(s) and EFIN(s);

- 1 H. That the Court, pursuant to I.R.C. § 7402, order Siegel to surrender  
2 any existing PTIN(s) or EFIN(s) registered in his name or in any alias  
3 or other name used for any purpose by Siegel;
- 4 I. That the Court, pursuant to I.R.C. §§ 7402, 7407 and 7408, enter an  
5 injunction requiring Siegel, within 30 days of entry of the injunction,  
6 to contact by United States mail all persons who have engaged him  
7 (including under any alias Siegel used or any entity Siegel operated)  
8 to provide tax planning or tax return preparation services since 2008,  
9 enclosing a copy of the executed injunction against him. The  
10 injunction should require that: (i) other than the executed injunction,  
11 no additional materials may be included in the notification to Siegel's  
12 customers unless approved by the United States or the Court; and (ii)  
13 Siegel shall file with the Court, within 10 days thereafter, a sworn  
14 certificate stating that he has complied with this requirement;
- 15 J. That the Court, pursuant to I.R.C. §§ 7402, 7407 and 7408, enter an  
16 injunction requiring Siegel to produce to counsel for the United States  
17 within 60 days of the injunction order a list that identifies by name,  
18 social security number, address, e-mail address, and telephone number  
19 and tax periods(s), all persons who have engaged him (including  
20 under any alias Siegel used or any entity Siegel operated) to provide  
21 tax advice, tax planning or tax return preparation services since 2006;
- 22 K. That the Court retain jurisdiction over Siegel and over this action to  
23 enforce any permanent injunction entered against Siegel;

- 1 L. That the United States be entitled to conduct post-judgment discovery  
2 to monitor Siegel's compliance with the terms of any permanent  
3 injunction entered against him; and
- 4 M. That this Court grant the United States such other and further relief,  
5 including costs, as is just and equitable.
- 6

7 Respectfully submitted,

8 LAURA E. DUFFY  
9 United States Attorney

10 CAROLINE D. CIRAULO  
11 Acting Assistant Attorney General  
Tax Division

12 s/ Russell J. Edelstein  
13 RUSSELL J. EDELSTEIN  
14 MA Bar No. 663227  
15 Trial Attorney, Tax Division  
16 U.S. Department of Justice  
17 P.O. Box 7238 – Ben Franklin Station  
18 Washington, D.C. 20044  
19 Tel: (202) 616-2704  
20 Fax: (202) 514-6770  
21 [russell.j.edelstein@usdoj.gov](mailto:russell.j.edelstein@usdoj.gov)  
22 **Attorneys for Plaintiff**  
23 **United States of America**

19 Dated: March 23, 2015