

Defendant's Tax Preparation Activities

3. Ranti Azeez-Taiwo ("Azeez-Taiwo") is a tax return preparer who has prepared federal income tax returns for customers since at least 2006.

4. Azeez-Taiwo operates a tax-preparation business called Lot Associates, Inc., which was registered as a corporation with the state of New York on or about April 17, 2001, doing business at 498 Bay Street, Staten Island, New York, 10304. The New York Department of State Division of Corporations Entity Information database lists Azeez-Taiwo as the Chief Executive Officer of Lot Associates, Inc.

5. Azeez-Taiwo prepared and filed tax returns using the EIN assigned to Lot Associates, Inc. since at least 2006. For tax years 2006 through 2008, Azeez-Taiwo, doing business as Lot Associates, Inc., prepared at least 3,391 tax returns. In addition, Azeez-Taiwo prepared at least 1,129 returns in 2010; 1,035 returns in 2011; 906 returns in 2012; and 793 returns in 2013.

6. As part of a criminal investigation of Azeez-Taiwo's tax-preparation business, the IRS interviewed ten of Azeez-Taiwo's customers for whom he prepared thirty-eight tax returns for tax years 2006 through 2009. Those interviews, as well as examinations of the thirty-eight tax returns, revealed that Azeez-Taiwo engaged in a pattern of fabricating or inflating schedule A deductions, particularly charitable contributions and unreimbursed employee business expenses, as well as fabricating or inflating schedule C sole-proprietorship expenses, and mischaracterizing income in ways that benefited the taxpayers. According to IRS records, the total tax deficiency for these returns exceeded \$100,000.

7. On February 18, 2010, an undercover IRS special agent posing as a return-preparation customer provided Azeez-Taiwo with a W-2 and healthcare information that was required for preparation of a state income tax return. Based on that information alone, Azeez-Taiwo prepared

and electronically filed a fraudulent income tax return out of the business premises of Lot Associates, Inc., claiming charitable contributions of \$2,489 and employee business expenses of \$8,944 even though the undercover agent did not provide any receipts or documentation to substantiate the deductions. The fraudulent tax return generated a refund of \$548 when it should have reflected a balance due of \$562.

8. On May 4, 2010, the IRS executed a search warrant on Azeez-Taiwo's tax-preparation business.

9. The IRS audited over 250 additional returns prepared by Azeez-Taiwo for tax years 2008 through 2012, many of which Azeez-Taiwo prepared after the IRS executed the search warrant in May 2010. Those audits revealed similar conduct: fabricated or inflated schedule A deductions and fabricated or inflated schedule C expenses. According to IRS records, the total tax deficiency for these returns was \$673,930.

10. Because just a portion of Azeez-Taiwo's returns were examined or audited, it is likely that the harm done to the United States by Azeez-Taiwo's fraudulent tax-return preparation exceeds \$773,000.

11. On January 16, 2013, a grand jury indicted Azeez-Taiwo on 30 separate counts of willfully aiding and assisting in the preparation of false federal income tax returns for 13 specified customers for the tax years 2006 through 2010. See Case No. 1:13-cr-00036-SJ (E.D.N.Y.), Docket Entry No. 1. The indictment specifically alleged that Azeez-Taiwo overstated itemized deductions, particularly charitable contributions and unreimbursed employee business expenses.

12. On October 2, 2013, a jury found Azeez-Taiwo guilty on 16 of those counts. See Docket Entry No. 26. One of the counts for which Azeez-Taiwo was convicted was for a tax return filed on or about February 12, 2011, well after the IRS executed the search warrant in May 2010.

13. On March 28, 2014, the U.S. District Court for the Eastern District of New York entered judgment against Azeez-Taiwo and sentenced him to two 18-month terms, to be served concurrently, with one year of supervised release, and ordered Azeez-Taiwo to pay restitution in the amount of \$24,802.¹ See Docket Entry No. 35.

14. Azeez-Taiwo is currently incarcerated on these charges and is scheduled to be released on September 4, 2015.

Harm to the United States

15. Azeez-Taiwo's conduct has harmed his customers because they pay him to prepare returns, and, after the fraud is detected, are responsible for paying all taxes, interest, and penalties.

16. Azeez-Taiwo's conduct harms the United States because his customers are under-reporting and under-paying their correct tax liabilities based on false deductions. According to IRS records the total tax deficiency for returns prepared by Azeez-Taiwo was over \$773,000. Because just a portion of Azeez-Taiwo's returns were audited, it is likely that the harm done to the United States by Azeez-Taiwo's fraudulent tax-return preparation exceeds \$773,000.

¹ On April 1, 2014, Azeez-Taiwo appealed the U.S. District Court's judgment to the U.S. Court of Appeals for the Second Circuit ("Second Circuit"). On April 6, 2015, the Second Circuit reversed the judgment of the U.S. District Court as to one count, and affirmed the remaining 15 counts; the case was remanded for resentencing. The U.S. District Court amended its judgment to reflect the one-count reversal and resentedenced Azeez-Taiwo to 18 months in prison.

17. In addition to the direct harm caused by preparing tax returns that understate customers' tax liabilities, Azeez-Taiwo's conduct undermines public confidence in the administration of the federal tax system and encourages noncompliance with the internal revenue laws.

18. Azeez-Taiwo further harms the United States because the Internal Revenue Service must devote its limited resources to investigating tax returns he has prepared, including ascertaining his customers' correct tax liabilities, recovering any refunds erroneously issued, and collecting any additional taxes and penalties.

19. Azeez-Taiwo also causes intangible harm to honest tax return preparers, because by preparing returns that falsely or fraudulently inflate his customers' refunds, he gains an unfair competitive advantage over tax return preparers who do not do so and who as a result may have fewer customers.

20. Because Azeez-Taiwo continually and repeatedly prepared false and fraudulent returns, and continued to prepare false and fraudulent returns even after he knew he was under criminal investigation for his return preparation activities, only permanent injunctive relief is appropriate to prevent the recurrence of that conduct.

Count I

Injunction under I.R.C. § 7407

21. The United States incorporates by reference the allegations in paragraphs 1 through 20.

22. Section 7407 of the I.R.C. authorizes a district court to enjoin a tax return preparer from engaging in conduct subject to penalty under I.R.C. § 6694 or 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 further 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 income tax preparer.

23. I.R.C. § 6694 imposes a penalty on any tax return preparer who prepares any return or claim of refund with respect to which any part of an understatement of liability is due to (1) an unreasonable position that the preparer knew or should have reasonably known was unreasonable, (2) a willful attempt in any manner to understate the liability for tax on the return or claim, or (3) a reckless or intentional disregard of rules or regulations.

24. Azeez-Taiwo has continually and repeatedly engaged in conduct subject to penalty under I.R.C. § 6694 by preparing federal tax returns that understate his customers' liabilities based on (1) unreasonable positions which Azeez-Taiwo knew or reasonably should have known were unreasonable, (2) willful attempts to understate the liability for tax on returns he prepares, and (3) a reckless or intentional disregard of rules or regulations.

25. Azeez-Taiwo's continual and repeated violations of I.R.C. § 6694 fall within I.R.C. § 7407(b)(1)(A) and (D), and thus are subject to an injunction under I.R.C. § 7407.

26. If he is not enjoined, Azeez-Taiwo is likely to continue to prepare and file false and fraudulent tax returns.

27. Azeez-Taiwo's continual and repeated conduct subject to an injunction under I.R.C. § 7407, including his continual and repeated misapplication of expenses and deductions, demonstrates that a narrow injunction prohibiting only specific conduct would be insufficient to prevent Azeez-Taiwo's interference with the proper administration of the internal revenue laws. Thus, the Court should permanently enjoin Azeez-Taiwo from acting as a return preparer.

Count II

Injunction under I.R.C. § 7408

28. The United States incorporates by reference the allegations in paragraphs 1 through 27.

29. Section 7408 of the I.R.C. authorizes 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.

30. Section 6701(a) of the I.R.C. 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 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.

31. Azeez-Taiwo prepares or assists in the preparation of federal tax returns for customers that he knows will understate his customers' correct tax liabilities by claiming, among other things, fabricated or inflated charitable deductions and other false form Schedule A deductions, and fabricated form Schedule C business expense deductions. Azeez-Taiwo's conduct is thus subject to a penalty under I.R.C. § 6701.

32. If the Court does not enjoin Azeez-Taiwo, he 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)

33. The United States hereby incorporates by reference the allegations in paragraphs 1 through 32.

34. Section 7402(a) of the 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.

35. Azeez-Taiwo, through the actions described above, has engaged in conduct that substantially interferes with the enforcement of the internal revenue laws.

36. Unless enjoined, Azeez-Taiwo is likely to continue to engage in such improper conduct and interfere with the enforcement of the internal revenue laws. If Azeez-Taiwo is not enjoined from engaging in fraudulent and deceptive conduct, the United States will suffer irreparable injury by wrongfully providing federal income tax refunds to individuals not entitled to receive them, as well as expending time and resources to identify the individuals, determine their proper federal tax liabilities, and recover the erroneous refunds from them, if possible.

37. Enjoining Azeez-Taiwo is in the public interest because an injunction, backed by the Court's contempt powers if needed, will stop Azeez-Taiwo's illegal conduct and the harm it causes his customers, the public, and the United States.

38. Thus, the Court should impose injunctive relief under 26 U.S.C. § 7402(a).

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

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

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

C. That the Court find that Azeez-Taiwo has engaged in conduct subject to a 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 Azeez-Taiwo has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief is necessary and appropriate to prevent the recurrence of such conduct pursuant to the Court's inherent equitable 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 Azeez-Taiwo and Lot Associates, Inc., and any other entity through which Azeez-Taiwo prepares and file tax returns, and all those in active concert or participation with him, from directly or indirectly:

- (1) Preparing or filing, or assisting in preparing or filing, any federal tax return, amended return, or other federal tax documents or form for any person other than himself;
- (2) Representing any person before the IRS, or advising, assisting, counseling, or instructing anyone about preparing a federal tax return;
- (3) Employing any person who prepares or files, or assists in preparing or filing, any federal tax return, amended return, or other federal tax documents or form for any person;
- (4) Engaging in conduct subject to penalty under I.R.C. § 6694 and 6701;
- (5) Further promoting false tax schemes and positions that are in violation of the internal revenue laws;
- (6) Maintaining, assigning, holding, using, or obtaining a Preparer Tax Identification Number (PTIN) or an Electronic Filing Identification Number (EFIN).

(7) Having an ownership interest in an entity that is in the business of preparing federal tax returns or other federal tax documents or forms for other persons or representing any person before the IRS, or advising, assisting, counseling, or instructing anyone about preparing a federal tax return;

(8) Advertising tax return preparation services through any medium, including the internet and social media; and

(9) Engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws;

F. That the Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter an order requiring Azeez-Taiwo to contact, within fifteen days of the Court's order, by United States mail and, if an e-mail address is known, by e-mail, all persons for whom he, or any person acting under his direction and control, prepared federal tax returns, amended tax returns, or claims for a refund for tax years beginning in 2006 and continuing through this litigation, to inform those persons of the permanent injunction entered against Azeez-Taiwo, including sending a copy of the order of permanent injunction, with no other enclosures unless approved by the Department of Justice or the Court;

G. That the Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter an order requiring Azeez-Taiwo to produce to counsel for the United States, within 30 days of the Court's order, a list that identifies by name, social security number, address, e-mail address, telephone number, and tax period(s) all persons for whom he, or any person acting under his direction and control, prepared federal tax returns, amended tax returns, or claims for a refund for tax years beginning in 2006 and continuing through this litigation;

H. That the Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter an order requiring Azeez-Taiwo, within 45 days of receiving the Court's order, to file a declaration, signed under penalty of perjury, confirming that he has received a copy of the Court's order and complied with the terms described in Paragraph F and G of this Complaint;

I. That the Court retain jurisdiction over Azeez-Taiwo, and over this action to enforce any permanent injunction entered against Azeez-Taiwo;

J. That the Court order that the United States be entitled to conduct discovery to monitor Azeez-Taiwo's compliance with the terms of any permanent injunction entered against him; and

K. That the Court grant the United States such other and further relief, including costs, as is just and reasonable.

DATED: 7/20/15

Respectfully submitted,

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