

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA
FORT LAUDERDALE DIVISION**

UNITED STATES OF AMERICA,)	
)	Case No.
Plaintiff,)	
)	
v.)	
)	
DEXTER BATAILLE, d/b/a)	
CAPITAL FINANCIAL GROUP HOLDINGS)	
LLC,)	
)	
Defendant.)	
_____)	

COMPLAINT FOR PERMANENT INJUNCTION

1. The United States of America brings this action to permanently enjoin Dexter Bataille, individually and doing business as Capital Financial Group Holdings LLC (“Capital Financial”), and all those acting in concert with or under their direction or control, from directly or indirectly:

- A. Preparing, assisting in the preparation of, or directing the preparation of federal tax returns, amended returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents, for any entity or person other than himself;
- B. Filing, assisting in the filing of, or directing the filing of federal tax returns, amended returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents, for any entity or person other than himself;
- C. Using, maintaining, renewing, obtaining, transferring, selling, or assigning any Preparer Tax Identification Number (“PTIN”), Employer Identification

Number (“EIN”), Electronic Filing Identification Number (“EFIN”), or any other federally issued identification number to file or remit federal tax returns;

- D. Owning, operating, managing, assisting in, profiting from, working in, investing in, providing capital or loans to, receiving fees or remuneration from, controlling, licensing, consulting, franchising, or volunteering at a business that prepares or assists in the preparation of tax returns, amended returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents;
- E. Transferring, selling, or assigning his customer lists or other customer information;
- F. Training, instructing, teaching, creating, or providing guides, memoranda, directions, instructions, or manuals, pertaining to the preparation of federal tax returns;
- G. Engaging in activity subject to penalty under 26 U.S.C. §§ 6694, 6695, or 6701; and
- H. Engaging in conduct that substantially interferes with the proper administration and enforcement of the tax laws;
- J. and for disgorgement of his ill-gotten gains.

AUTHORIZATION

2. This action is authorized and requested by a delegate of the Secretary of the Treasury of the United States and is commenced at the direction of the Attorney General of the United States.

JURISDICTION AND VENUE

3. Jurisdiction is conferred on this Court pursuant to 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. § 7402(a).

4. Venue is proper in this Court under 26 U.S.C. §§ 7407(a), 7408(a), and 28 U.S.C. § 1391(b)(1) because Mr. Bataille’s principal place of business is within this district, Mr. Bataille prepares tax returns in this district, and the events giving rise to this claim occurred within this judicial district.

DEFENDANT

5. Mr. Bataille resides in Broward County, Florida, within the jurisdiction of this Court.

6. Since 2014, Dexter Bataille has worked as a paid tax return preparer as defined by 26 U.S.C. (“I.R.C.”) § 7701(a)(36).

7. Mr. Bataille attended Florida Atlantic University for nearly two years where he majored in mechanical engineering.

8. Mr. Bataille attended tax preparation and compliance courses offered by Tax Wise and Refund Advantage. Mr. Bataille uses these companies’ software to operate his tax preparation business.

9. Tax Wise requires that users of its software, like Mr. Bataille, complete yearly training courses to stay current with the latest changes in tax law.

10. These yearly courses include topics such as record keeping, refundable credits, and due diligence requirements.

MR. BATAILLE’S RETURN PREPARATION BUSINESS

11. Mr. Bataille is the sole owner and registered agent of Capital Financial Group Holdings LLC (“Capital Financial”), a limited liability company organized under Florida law, through which he operates his tax preparation business.

12. Capital Financial has one location, operating out of 404 East Oakland Boulevard, Oakland Park, Florida.

13. As a paid return preparer, Mr. Bataille is required to have a valid Preparer Tax Identification Number (“PTIN”) assigned by the Internal Revenue Service (“IRS”). Paid tax return preparers are required to identify themselves as the preparer on all federal tax returns that they prepare for compensation by signing their names and reporting their PTIN on each return.

14. Mr. Bataille files the tax returns he prepares under the PTIN ending in 9096.

15. To electronically file customers’ federal tax returns, the IRS requires all preparers to obtain an Electronic Filing Identification Number (“EFIN”). Each EFIN is uniquely associated with a specific address (e.g., tax return preparation business address). An EFIN application includes the identification of the person or persons responsible for all tax returns that originate from the address associated with the EFIN. An EFIN application also includes the names of individuals authorized to act on behalf of the tax return preparation business in legal or tax matters.

16. Mr. Bataille uses a EFIN ending in 9632 which is associated with his business Capital Financial.

17. Mr. Bataille and Capital Financial almost exclusively prepare the Form 1040, U.S. Individual Income Tax Return.

18. As shown in the chart below, Mr. Bataille, individually and through Capital Financial, prepares and files hundreds of income tax returns per year. He claims refunds on approximately 99% of these returns.

Tax year	Returns	# of refunds	Refund %
2016	593	587	98
2017	617	589	98
2018	684	670	99
2019	731	724	99
2020	883	842	98
2021	998	987	99
2022	801	799	99

19. Despite attracting hundreds of customers over several years of return preparing, Mr. Bataille does not have definitive fee structure for his services.

20. Mr. Bataille claims he charges customers a variable rate that ranges from \$0 to \$600 per return. Mr. Bataille actually charges upwards of a \$1,000 per tax return.

21. Mr. Bataille usually deducts his fees directly from his customers' refunds using the bank product service provided by Refund Advantage, siphoning off undisclosed amounts from his customers. Rarely he accepts cash.

Mr. Bataille's Improper Return Preparation Practices Triggered an Investigation

22. In 2015, the IRS assessed Mr. Bataille a \$37,500 penalty under I.R.C. § 6695(g) for failing to meet the knowledge, worksheet, and record keeping requirements for tax return preparers who file returns claiming the head of household filing status, or Additional Child Tax Credit ("ACTC"), or American Opportunity Tax Credit ("AOTC"), or Earned Income Tax Credit ("EITC").

23. In 2018, the IRS assessed another penalty against Mr. Bataille for continuing this misconduct, this time in the amount of \$46,920.

24. Several customers complained about Mr. Bataille's practices to the IRS's Return Preparer Office.

25. These complaints against Mr. Bataille included: a customer who claimed she was denied a loan due to discrepancies between her tax return prepared by Mr. Bataille and the tax documents from her employer; a customer who claimed his Schedule C prepared by Mr. Bataille reported numbers he did not recognize; and a customer who claimed Mr. Bataille creates fake Forms 1099 and steals his customers' money.

MR. BATAILLE'S FRAUDULENT PRACTICES

26. Mr. Bataille repeatedly and continually prepares tax returns understating customers' tax liabilities and overstating claimed refunds.

27. The following are examples of Mr. Bataille's false and fraudulent practices. To protect the identities of the individual customers, the Complaint refers to each customer by a number. A customer key, which identifies each customer by name and taxpayer identification number, will be served on Mr. Bataille with this complaint.

Tax Schemes to Fraudulently Increase Customer Credits

28. Generally, Mr. Bataille’s schemes involve manipulating tax items to fraudulently claim or fraudulently increase a claim for Earned Income Tax Credit (“EITC”) or Additional Child Tax Credit (“ACTC”).

Earned Income Tax Credit

29. The EITC is a refundable tax credit available to taxpayers who earn income below certain levels. The amount of the credit is based on the taxpayer’s income, number of dependents, and filing status. Because the EITC is a refundable credit, a taxpayer can claim a refund greater than the amount of tax they paid, including when no tax is paid.

30. Mr. Bataille claims the EITC on nearly two-third of the returns he prepares, as shown below:

Calendar Year	Number of Returns Claiming Refunds	Number of Returns Claiming EITC	Percentage of Returns Claiming EITC
2019	670	433	64
2020	724	484	66
2021	842	548	64
2022	987	605	61
2023	799	437	55

31. These percentages vastly exceed the national and state averages. For example, for calendar year 2021, only 15% of taxpayers claimed the EITC nationwide and less than 20% of

tax returns claimed the EITC in Florida. In calendar year 2021, Mr. Bataille claimed the EITC on 64% of the returns he prepared, a significant aberration from either baseline.

32. In total, Mr. Bataille claimed \$2,185,303 in EITC for calendar year 2021.

Additional Child Tax Credit

33. The Internal Revenue Code allows taxpayers to claim a credit for each qualifying child dependent. The Additional Child Tax Credit refers to the refundable portion of the child tax credit. The Code limits who is eligible to claim the ACTC. Factors such as income, filing status, and number of qualifying dependents effect eligibility and amount of ACTC.

34. Mr. Bataille routinely claims ACTCs on roughly half of his customers' returns, as shown below:

Tax Year	Number of returns claiming ACTC	Percentage of returns claiming ACTC
2019	409	56%
2020	449	52%
2021	462	46%
2022	391	49%

35. These percentages vastly exceed national and state averages. For example, for calendar year 2021, less than 12% of taxpayers nationwide claimed the ACTC and less than 13% of taxpayers in Florida claimed the ACTC. In calendar year 2021, Mr. Bataille claimed the ACTC on 52% of the returns he prepared, a significant aberration from either baseline.

36. In total, Mr. Bataille claimed \$836,739 in ACTC for calendar year 2021.

Fraudulent Schemes

37. To fraudulently inflate these credits, Mr. Bataille employs various tactics including reporting bogus Schedule C expenses, misreporting customer filing statuses, reporting fictitious Household Help income, and falsely claiming additional dependents.

Mr. Bataille Prepares Returns with False or Inflated Schedule C Business Losses

38. Individual taxpayers who are self-employed report their business's income and expenses on a Schedule C, Profit or Loss from Business (Sole Proprietorship), that is filed as part of the taxpayer's Form 1040. The net figure reported on a Schedule C, whether a profit or a loss, is a component of the taxpayer's adjusted gross income ("AGI").

39. Mr. Bataille manipulates his customers' AGI by fabricating or inflating losses claimed on Schedules C. In some cases, Mr. Bataille will invent a Schedule C business for customers he knows do not own or operate a business. By fraudulently fabricating or inflating losses, Mr. Bataille reduces the amount of taxable income the customers report and thus the amount of tax they owe. The reduction in tax leads to claims for bogus EITCs and fraudulent refund claims.

40. Year after year, Mr. Bataille used this Schedule C scheme to fraudulently claim credits for his customers who are not entitled to receive them. For calendar year 2023, Mr. Bataille included Schedules C on 437 returns, roughly 55% of all returns he filed.

41. Mr. Bataille usually claims the EITC on returns he prepares with a Schedule C. IRS data shows that on nearly two thirds of all returns Mr. Bataille prepared claiming a Schedule C loss also claimed the EITC.

Tax year	Schedule C with Profit	Schedule C with Loss	Schedule C with EITC
2017	29%	72%	64%
2018	33%	76%	67%
2019	30%	70%	67%

42. For example, on the following customers’ 2020 tax returns, Mr. Bataille either created a fictional business with Schedule C losses or fictionalized losses on his customers’ Schedules C that their businesses did not actually incur.

Customer	False or Inflated Schedule C Losses
Customer 4	\$13,106
Customer 7	\$7,529
Customer 8	\$11,386

43. Mr. Bataille prepared Customer 4’s 2020 tax return. During the 2020 tax year, Customer 4 worked as an independent contractor and received Forms 1099-MISC which she provided to Mr. Bataille. Without Customer 4’s knowledge, Mr. Bataille reported fictitious car and truck expenses along with contrived contract labor expenses on Customer 4’s Schedule C. In total, Mr. Bataille reported \$13,106 in fabricated expenses on Customer 4’s Schedule C, reducing her business income and resulting self-employment tax liability on her 2020 return.

44. Mr. Bataille prepared Customer 7’s 2020 tax return and reported a fraudulent loss of \$7,529 on Customer 7’s Schedule C. Customer 7 did not provide any documentation to Mr. Bataille evidencing a Schedule C loss or business expenses. In fact, Customer 7 earned

\$7,200 in Schedule C income. Customer 7 did not have the slightest idea how Mr. Bataille determined this loss. The fraudulent adjustments Mr. Bataille made reduced Customer 7's adjusted gross income by \$14,729. As a result, Mr. Bataille claimed a \$1,084 EITC on Customer 7's return that he was not entitled to receive because of his actual income and his married filing status. Mr. Bataille completed a Form 8867, Paid Preparer's Due Diligence Checklist, with Customer 7's return despite never discussing the EITC with Customer 7.

45. Mr. Bataille prepared Customer 8's 2020 tax return and claimed a business loss of \$11,386 on a falsified Schedule C. Customer 8 did not discuss incurring a business loss with Mr. Bataille or provide any documentation substantiating a business loss. This fictitious Schedule C loss allowed Mr. Bataille fraudulently to claim a EITC of \$3,233 on Customer 8's return. Mr. Bataille repeated the same scheme on Customer 8's 2021 tax return. Customer 8 never discussed incurring a business loss with Mr. Bataille. Nevertheless, Mr. Bataille fraudulently reported that in 2021 Customer 8 incurred \$20,036 in Schedule C expenses, offset by \$11,302 in fake gross receipts from driving. This resulted in a fraudulent \$3,618 EITC.

Mr. Bataille Prepares Returns Misreporting Customers' Filing Status

46. Mr. Bataille misreports customer filing statuses to fraudulently increase his customers' EITC and ACTC.

47. Filing status is one factor that determines a taxpayer's eligibility for the EITC and the ACTC. Whether a taxpayer files under a married or single filing status governs the income thresholds at which "phase-in" and "phase-out" limitations on the tax credits apply. Taxpayers who file as single or head of household have a lower "phase-in" and "phase-out" thresholds.

48. Mr. Bataille manipulates his customers' filing status to guarantee their incomes avoid the "phase-in" and "phase-out" thresholds and fall within the range that maximizes EITC and ACTC credits.

49. For tax year 2020, Mr. Bataille misreported Customer 1's filing status as Single even though he knew Customer 1 was married. By claiming a single filing status on Customer 1's return, Mr. Bataille was able to fraudulently claim \$6,660 in EITC and \$2,136 in ACTC. Additionally, although Customer 1's spouse was a homemaker who did not work during tax year 2020, Mr. Bataille filed her return as Single. By also claiming false Household Help and Schedule C income on her return, Mr. Bataille was able to claim fraudulent EITC and ACTC for Customer 1's spouse as well.

50. Mr. Bataille prepared Customer 7's tax returns for 2020 and 2021. Customer 7's wife completed a questionnaire indicating that the couple wanted to file as Married Filing Separately. Mr. Bataille disregarded Customer 7's questionnaire, falsely reporting Customer 7 as Head of Household and Customer 7's wife as Single for the 2020 tax year. Because he falsified Customer 7's filing status, Mr. Bataille was able to fraudulently claim \$1,084 of EITC and \$1,400 of ACTC on Customer 7's return.

51. For tax year 2020, Mr. Bataille misreported Customer 8's filing status as Head of Household instead of Married Filing Separately. By falsifying Customer 8's filing status and claiming a fictitious business loss, Mr. Bataille was able to claim a fraudulent \$3,233 EITC on Customer 8's 2020 tax return.

Mr. Bataille Prepare Returns Claiming Fraudulent Household Help Income

52. Mr. Bataille falsely inflates Household Help income. By falsely reporting Household Help income, Mr. Bataille can increase his customers' earned income and fraudulently inflate their claims for refundable tax credits.

53. Household Help ("HSH") income is paid to individuals hired to perform household work. These individuals are considered employees of the person for whom they perform the household work and are issued Forms W-2 reporting income received and taxes withheld, just as with any other employment.

54. Mr. Bataille consistently fabricates HSH income on his customers' returns to inflate their adjusted gross income allowing him to fraudulently claim greater EITCs.

55. Most customers interviewed by the IRS did not know that Mr. Bataille reported HSH income on their return.

56. For example, Mr. Bataille reported that Customer 4 earned \$16,306 in HSH income on her 2020 tax return. In reality, Customer 4 did not earn any HSH income in 2020, and never discussed earning HSH income with Mr. Bataille. Mr. Bataille's claim of fictitious HSH income fraudulently increased Customer 4's earned income, allowing Mr. Bataille to claim a greater EITC of \$6,660 on Customer 4's return and cause a refund of \$8,909. Customer 4 received only about \$7,000 of the claimed refund.

57. Mr. Bataille falsely reported \$19,091 in HSH income on Customer 10's 2020 tax return. During the 2020 tax year, Customer 10 only worked as a W-2 employee for a convenience store. Customer 10 never mentioned earning HSH income to Mr. Bataille. Mr. Bataille's claim of false HSH income artificially inflated Customer 10's EITC for tax year 2020 to \$6,640. Customer 10 did not know that Mr. Bataille had reported this fraudulent income

on her return. Customer 10 did not sign her return, nor did she receive a copy of it from Mr. Bataille.

58. Mr. Bataille reported fraudulent HSH income on Customer 2's tax returns for the 2020, 2018, and 2017 tax years. During the 2020 tax year, Customer 2 worked as a W-2 employee for Burger King and had no other source of income. Despite this, Mr. Bataille falsely reported \$2,305 of HSH income on Customer 2's return. Customer 2 did not tell Mr. Bataille that he earned any HSH income in 2020. The fraudulent HSH income boosted Customer 2's earnings allowing Mr. Bataille to claim an EITC on Customer 2's 2020 tax return that he was not entitled to receive. For Customer 2's 2017 and 2018 returns, Mr. Bataille reported fictitious HSH income of \$16,932 and \$14,778, respectively.

59. In other instances, Mr. Bataille greatly exaggerates his customers' HSH income to boost claims for EITC and ACTC.

60. For example, Mr. Bataille reported that Customer 3 earned \$18,394 in HSH income during the 2020 tax year. Customer 3 earned only \$2,000 to \$3,000 dollars for his work related to HSH in tax year 2020 and did not tell Mr. Bataille he earned more. Mr. Bataille's falsification of Customer 3's HSH income resulted in an inflated EITC of \$6,660 for 2020.

61. Mr. Bataille also misreports his customers' Schedule C business income as HSH income to avoid self-employment taxes.

62. For example, Customer 5 earned income as a hair stylist during the 2020 tax year. This income should have been reported on a Schedule C. Customer 5 provided Mr. Bataille with documents, including receipts, related to her hair styling business. Mr. Bataille ignored this information, omitting these business expenses from Customer 5's return and, instead, reported her Schedule C income as HSH income to avoid self-employment tax. Mr. Bataille did this

without Customer 5's knowledge. Because of Mr. Bataille's fraudulent reporting, Customer 5 received a refund of \$4,984.

63. Mr. Bataille ignored the Schedule C income earned by Customer 6, choosing instead to falsely report fictional HSH income. During the 2020 tax year, Customer 6 did mobile detailing and pressure washing. Customer 6 told Mr. Bataille about his business, which earned about \$500 per week in gross receipts while incurring roughly \$120 in weekly costs. Rather than reporting Customer 6's Schedule C income and corresponding business expenses, Mr. Bataille reported that Customer 6 earned \$18,121 in HSH income and, falsely, was not liable for self-employment tax. Customer 6 never engaged in Household Help work. Customer 6 did not receive a copy of his 2020 tax return, nor did he discuss with Mr. Bataille his tax preparation fee.

64. These examples are only a small sample of the total number of instances that Mr. Bataille used HSH income to manipulate his customers' income and fraudulently boost their eligibility for refundable tax credits or avoid reporting other applicable tax.

Mr. Bataille Prepares Returns That Fraudulently Claim Additional Dependents

65. Mr. Bataille routinely misreports his customers' qualified dependents to fraudulently increase their ACTC and EITC. These misrepresentations, coupled with other fraudulent claims to increase or deflate customers' income, allow Mr. Bataille to fraudulently claim greater amounts of refundable credits.

66. For example, Mr. Bataille claimed that Customer 3 had three dependents on his 2020 tax return. Customer 3's children live in another state, and he does not provide any support for them. Customer 3 did not provide Mr. Bataille with any information indicating that he was responsible for the dependents listed on his return. By falsely claiming these dependents along

with bogus HSH income, Mr. Bataille was able to fraudulently claim \$2,384 of ACTC and \$6,660 of EITC on Customer 3's 2020 return.

67. Mr. Bataille reported all of Customer 6's children as qualified dependents. Mr. Bataille did not try to determine whether Customer 6's children were qualified dependents, only asking Customer 6 to provide birth certificates for his children. During the 2020 tax year, Customer 6 had 6 children but only 2 lived with and were supported by him. As a result of fraudulently claimed dependents, Mr. Bataille could claim bogus EITC and ACTC on Customer 6's 2020 tax return. Mr. Bataille prepared a Form 8867, Paid Preparer's Due Diligence Checklist, on which he claimed that he prepared the return based on information provided by Customer 6 and that he discussed the EITC with Customer 6 and discussed the requirements for claiming a dependent for EITC purposes. According to Customer 6, Mr. Bataille simply asked for copies of the children's birth certificates and never asked about whether they all could be claimed as dependents for EITC purposes.

68. For tax years 2017 through 2020, Mr. Bataille claimed dependents other than the taxpayer's children on about 20 percent of all the returns he prepared.

69. Mr. Bataille fraudulently claims additional dependents to falsely claim greater EITC as well as ACTC.

Mr. Bataille Prepares Returns Using Other Fraudulent Schemes

70. Along with the fraudulent schemes highlighted above, Mr. Bataille claims false childcare expenses and false American Opportunity Tax Credits. These credits reduce Mr. Bataille's customers' tax liability on a dollar-for-dollar basis and are potentially refundable.

71. Child and Dependent Care Credit allows eligible taxpayers to claim a credit for qualifying expenses related to children or dependents. Mr. Bataille includes false childcare

expenses on his customers' returns. For example, on Customer 7's return for tax year 2020, Mr. Bataille claimed that credit of \$3,025 for childcare expenses. Customer 7 did not discuss childcare expense with Mr. Bataille, nor did he provide any documentation indicating he incurred childcare costs. Similarly, on Customer 8's return for tax year 2021, Mr. Bataille falsely claimed a childcare credit of \$1,809 without any information supporting this claim.

72. On Customer 8's return for tax year 2020 a Mr. Bataille claimed falsified childcare expenses. According to Customer 8, his wife's grandmother supervised his children while Customer 8 and his wife are at work. As a result, he never incurred childcare costs during tax year 2020. Nevertheless, Mr. Bataille claimed a \$289 childcare credit on Customer 8's return.

73. Additionally, Mr. Bataille claims false American Opportunity Tax Credit ("AOTC") on his customers' returns. AOTC is a credit for qualified education expenses of eligible students for the first four years of higher education. The credit reduces the amount of tax reported by the taxpayer on a dollar-for-dollar basis up to \$2,500, with up to \$1,000 which is refundable to the taxpayer if the amount of the credits exceeds the tax shown as due on the return. Without Customer 10's knowledge, Mr. Bataille claimed a false \$4,000 refundable AOTC for fictitious education expenses.

HARM TO THE UNITED STATES

74. Through the schemes and other conduct described above, Mr. Bataille engages in a pattern of understating customers' taxes and overstating their refunds or credits, which results in the loss of federal tax revenue.

75. In many instances, Mr. Bataille's fraudulent understatement of his customers' taxable income and overstatement of his customers' refunds and credits caused the United States to issue refunds that the customers were not entitled to receive.

76. In addition to lost tax revenue, the United States must bear the substantial cost of examining tax returns Mr. Bataille prepared and collecting the understated liabilities from his customers.

77. Mr. Bataille's illegal conduct also harms honest tax return preparers because, by preparing tax returns that unlawfully inflate their customers' refunds, Mr. Bataille gains a competitive advantage over tax preparers who prepare returns in accordance with the law. Customers who are satisfied with the tax refunds they receive but who are often unaware of Mr. Bataille's illegal return preparation practices, return to Mr. Bataille for subsequent tax seasons.

78. Mr. Bataille's actions also undermine confidence in the federal income tax system and harm his customers. Mr. Bataille's customers trust – and pay – him to prepare honest tax returns. Mr. Bataille betrays that trust and harms his customers, who could be required to pay tax deficiencies, interest, and penalties resulting from Mr. Bataille's conduct.

79. Mr. Bataille also encourages noncompliance with the internal revenue laws by failing to confirm with customers that their tax returns honestly and accurately reflect the information they provide. Similarly, Mr. Bataille's fraudulent use of the EITC undermines public confidence in a statutory credit meant to encourage low-income workers with young children to maintain employment.

80. Mr. Bataille's pattern of concealing his tax preparation activities makes it difficult to determine the exact number of returns or the extent of the harm to the United States.

81. The United States estimates annual tax harm of over \$2,000,000 from Mr. Bataille's illegal conduct during the 2020 tax year.

82. The United States estimates annual tax harm of over \$1,500,000 from Mr. Bataille's illegal conduct during the 2021 tax year.

**COUNT I: INJUNCTION UNDER 26 U.S.C. § 7407 FOR CONDUCT
SUBJECT TO PENALTY UNDER 26 U.S.C. §§ 6694 and 6695**

83. The United States realleges paragraphs 1 through 82.

84. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin a person who is a tax return preparer from engaging in certain conduct or from further acting as a tax return preparer. The prohibited conduct justifying an injunction includes, *inter alia*, the following:

- a. Engaging in conduct subject to penalty under 26 U.S.C. § 6694(a), which penalizes a tax return preparer who prepares a return that contains an understatement of tax liability or an overstatement of a refund or credit due to an unreasonable position that the preparer knew or should have known was unreasonable;
- b. Engaging in conduct subject to penalty under 26 U.S.C. § 6694(b), which penalizes a tax return preparer who prepares a return that contains an understatement of tax liability or an overstatement of a refund or credit due to willful or reckless conduct;
- c. Engaging in conduct subject to penalty under 26 U.S.C. § 6695(a), which penalizes a tax return preparer who fail to furnish a copy of any return or claim for refund to the taxpayer;
- d. Engaging in conduct subject to penalty under 26 U.S.C. § 6695(g), which penalizes a tax return preparer who does not exercise due diligence in determining eligibility for Earned Income Tax Credits and for American Opportunity Tax Credits; and

e. Engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.

85. To issue an injunction, the court must find (1) that the preparer engaged in the prohibited conduct and (2) that injunctive relief is appropriate to prevent the recurrence of the conduct.

86. If a tax return preparer's conduct is continual or repeated and the court finds that a narrower injunction would be insufficient to prevent the preparer's interference with the proper administration of the internal revenue laws, the court may permanently enjoin the person from acting as a tax return preparer. *See* 26 U.S.C. § 7407(b).

87. Mr. Bataille continually and repeatedly engages in conduct subject to penalty under I.R.C. § 6694 by preparing returns that understate his customers' tax liabilities and overstate their refunds and credits. As described above, Mr. Bataille prepares returns for his customers that claim expenses that they had not incurred and credits to which his customers were not entitled. Mr. Bataille does so with the knowledge that the positions he takes on returns are unreasonable and lack substantial authority. Therefore, Mr. Bataille engages in conduct subject to penalty under I.R.C. § 6694(a).

88. Mr. Bataille engages in conduct subject to penalty under I.R.C. § 6694(b) by willfully understating his customers' liabilities, overstating their refunds and credits, and acting with a reckless and intentional disregard of rules and regulations.

89. Mr. Bataille engages in conduct subject to penalty under I.R.C. § 6695(a) by willfully failing to furnish a copy of any return or claim for refund to the taxpayer.

90. Mr. Bataille also engages in conduct subject to penalty under I.R.C. § 6695(g) by repeatedly failing to exercise due diligence in determining the eligibility of his customers to

claim the EITC. Mr. Bataille has been penalized for this conduct in the past but has not rectified his practices.

91. Mr. Bataille's conduct substantially interferes with the administration of the internal revenue laws. Injunctive relief is necessary to prevent this misconduct because, absent an injunction, Mr. Bataille is likely to continue preparing false federal income tax returns. Mr. Bataille's refusal to change his practices after the imposition of the due diligence penalties proves that measures short of an injunction will not deter him from misconduct.

92. A narrower injunction would be insufficient to prevent Mr. Bataille's interference with the administration of the internal revenue laws. Mr. Bataille prepares returns understating his customers' liabilities and overstating their refunds and credits through multiple schemes that report false information on his customers' tax returns. The IRS may not have identified all of the schemes used by Mr. Bataille to understate liabilities and overstate refunds and credits. Failure to permanently enjoin Mr. Bataille will require the IRS to spend additional resources to uncover all schemes he currently employs and future schemes that he may implement. The harm resulting from these schemes includes both the expenditure of resources and the revenue loss caused by the improper deductions and credits Mr. Bataille claims on returns he prepares. Accordingly, only a permanent injunction can prevent future harm. Mr. Bataille should be permanently enjoined from acting as tax return preparer.

**COUNT II: INJUNCTION UNDER I.R.C. § 7408 FOR CONDUCT SUBJECT TO
PENALTY UNDER I.R.C. § 6701**

93. The United States realleges paragraphs 1 through 82.

94. Section 7408 of the Internal Revenue Code authorizes a district court to enjoin any person from engaging in conduct subject to penalty under 26 U.S.C. § 6701.

95. Section 6701 penalizes a person who aids or assists in the preparation of tax returns that the person knows will result in an understatement of tax liability.

96. Mr. Bataille engages in conduct subject to penalty under I.R.C. § 6701 by knowingly and willfully preparing income tax returns that claim credits and deductions that he knows to be improper, false, or inflated.

97. Mr. Bataille's repeated actions fall within I.R.C. § 7408, and injunctive relief is appropriate to prevent reoccurrence of this conduct.

**COUNT III: INJUNCTION UNDER 26 U.S.C. § 7402 FOR UNLAWFUL
INTERFERENCE WITH THE ENFORCEMENT OF INTERNAL REVENUE
LAWS**

98. The United States realleges paragraphs 1 through 82.

99. Section 7402(a) of the Internal Revenue Code authorizes a court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

100. Mr. Bataille repeatedly and continually engages in conduct that interferes substantially with the administration and enforcement of the internal revenue laws.

101. If Mr. Bataille continues to act as federal tax return preparer, his conduct will irreparably harm the United States, and the United States has no adequate remedy at law.

102. Mr. Bataille's conduct has caused, and will continue to cause, substantial tax losses to the United States Treasury, much of which may be undiscovered and unrecoverable.

Moreover, unless Mr. Bataille is enjoined from preparing returns, the IRS will have to devote substantial and unrecoverable time and resources auditing his customers individually to detect understated liabilities and overstated refund and credit claims.

103. The detection and audit of erroneous tax credits and deductions claimed on returns prepared by Mr. Bataille would be a significant burden on IRS resources.

104. Injunctive relief is appropriate because any harm to Mr. Bataille caused by an injunction preventing him from continuing his illegal schemes is substantially outweighed by the harm he causes to the United States and to the public. Further, an injunction stopping Mr. Bataille's illegal activity is in the public interest.

COUNT IV: DISGORGEMENT OF ILL-GOTTEN GAINS
UNDER 26 U.S.C. § 7402(a)

105. The United States realleges paragraphs 1 through 82.

106. Section 7402 of the Internal Revenue Code authorizes a district court to issue orders, judgments, and decrees as may be necessary or appropriate for the enforcement of the internal revenue laws.

107. Mr. Bataille's conduct substantially interferes with the enforcement of the internal revenue laws. Mr. Bataille has caused and continues to cause the United States to issue tax refunds to individuals not entitled to receive them. Without Mr. Bataille's conduct, the United States would not have issued these bogus refunds.

108. Mr. Bataille unjustly profits from his misconduct at the expense of the United States. Mr. Bataille frequently deducts his fees from his customers' improper refunds.

109. Mr. Bataille is not entitled to these ill-gotten gains.

110. But for Mr. Bataille's conduct, these bogus refunds would not have been issued.

111. Using its broad authority under § 7402(a), the Court should order requiring Mr. Bataille to disgorge to the United States the unlawful gains (in the form of fees deducted from customers' tax refunds and otherwise paid to him) he obtained for preparing federal tax returns that make false or fraudulent claims.

RELIEF REQUESTED

WHEREFORE, the United States respectfully requests that the Court:

- A. Find that Mr. Bataille has repeatedly and continually engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 and 6695 and that injunctive relief is appropriate under 26 U.S.C. § 7407 to prevent recurrence of that conduct;
- B. Find that Mr. Bataille has repeatedly and continually engaged in conduct subject to penalty under 26 U.S.C. §§ 6700 and 6701 and that injunctive relief is appropriate under 26 U.S.C. § 7408 to prevent recurrence of that conduct;
- C. Find that Mr. Bataille repeatedly and continually engaged in conduct that substantially interferes with the proper enforcement and administration of the internal revenue laws and that injunctive relief is appropriate under 26 U.S.C. § 7402(a) and this Court's equitable powers to prevent recurrence of that conduct;
- D. Permanently enjoin Mr. Bataille and any other person working in concert or participation with him from directly or indirectly:
 - 1. Preparing, assisting in the preparation of, or directing the preparation of federal tax returns, amended returns, or other tax-related documents and forms, including any electronically submitted tax returns or tax-related documents, for any entity or person other than himself;

2. Filing, assisting in the filing of, or directing the filing of federal tax returns, amended returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents, for any entity or person other than himself;
3. Using, maintaining, renewing, obtaining, transferring, selling, or assigning any PTIN, EIN, EFIN, or any other federally issued identification number to file or remit federal tax returns;
4. Owning, operating, managing, assisting in, profiting from, working in, investing in, providing capital or loans to, receiving fees or remuneration from, controlling, licensing, consulting, franchising, or volunteering at the business that prepares or assists in the preparation of tax returns, amended returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents;
5. Transferring, selling, or assigning his customer lists or other customer information;
6. Training, instructing, teaching, creating or providing guides, memoranda, directions, instructions, or manuals, pertaining to the preparation of federal tax returns;
7. Engaging in activity subject to penalty under 26 U.S.C. §§ 6694, 6695, and/or 6701; and

8. Engaging in conduct that substantially interferes with the proper administration and enforcement of tax laws;
- E. Enter an order allowing the United States to monitor Mr. Bataille's compliance with the injunction and to engage in post-judgment discovery in accordance with the Federal Rules of Civil Procedure;
- F. Require Mr. Bataille at his own expense and within the specified time below:
1. Send by certified mail, return receipt requested, to each person for whom Mr. Bataille prepared federal tax returns or any other federal tax forms after January 1, 2022, within 30 days of entry of the final injunction:
 - i. a copy of the final injunction entered against Mr. Bataille;
 - ii. a copy of the Complaint setting forth the allegations as to how Mr. Bataille fraudulently prepared federal tax returns;
 2. Turn over to the United States copies of all returns and claims for refund that Mr. Bataille prepared after January 1, 2022, within 30 days of entry of the final injunction;
 3. Provide the United States a list of the names, Social Security numbers, addresses, phone numbers, and email addresses of each person for whom Mr. Bataille prepared tax returns, other tax forms, or claims for refund after January 1, 2022, within 30 days of entry of the final injunction in this action, regardless of the PTIN or EFIN used;
 4. Prominently post, within 10 days of entry of the final injunction in this action, in Mr. Bataille's place of business where he prepared tax returns and any other

locations: a statement, to be approved by the United States, that he has been enjoined from the preparation of tax returns;

5. Prominently post for two years on all social media accounts and websites Mr. Bataille uses to advertise their tax preparation services: a statement, to be approved by the United States, that he has been enjoined from the preparation of tax returns, a copy of the injunction, and a hyperlink to any press release regarding the injunction that the Department of Justice may issue;
6. Deliver a copy of the injunction to any employees, contractors, any other individuals preparing tax returns on behalf of Mr. Bataille, and all vendors of Mr. Bataille, including tax preparation software companies, within 30 days of entry of the final injunction in this action;
7. File a sworn statement with the Court evidencing Mr. Bataille's compliance with the foregoing directives within 45 days of entry of the final injunction in this action; and
8. Keep records of Mr. Bataille's compliance with the foregoing directives, which may be produced to the Court, if requested, or the United States pursuant to paragraph E;

G. After a period of discovery to determine an appropriate amount of disgorgement, order Mr. Bataille to disgorge his ill-gotten gains to the United States.

H. Retain jurisdiction over Mr. Bataille and this action to enforce any permanent injunction entered: and

I. Award the United States its costs incurred in connection with this action, along with such other relief as justice requires.

Dated: March 28, 2024

Respectfully submitted,

DAVID A. HUBBERT
Deputy Assistant Attorney General

Counsel for the United States:

/s/ Michael Troy

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