

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA  
WEST PALM BEACH DIVISION**

UNITED STATES OF AMERICA,	)	Case No.:
	)	
Plaintiff,	)	
	)	
v.	)	
	)	
JEFFREY CADET,	)	
KERSH TAX SERVICE, LLC,	)	
KERSHA LEWIS,	)	
SAGLEND A JOHNSON,	)	
	)	
Defendants.	)	
_____	)	

**COMPLAINT**

Plaintiff, the United States of America, for its complaint against defendants, Jeffrey Cadet, Kersh Tax Service, LLC, Kersha Lewis, and Saglenda Johnson, alleges as follows:

1. This is a civil action brought by the United States under 26 U.S.C. §§ 7402, 7407, and 7408 to enjoin the defendants, and anyone in active concert or participation with them, from:
  - a. acting as federal tax return preparers or requesting, assisting in, or directing the preparation or filing of federal tax returns, amended returns, or other related documents or forms for any person or entity other than themselves;
  - b. preparing or assisting in preparing federal tax returns that they know or reasonably should know would result in an understatement of tax liability or the overstatement of federal tax refund(s) as penalized by 26 U.S.C. § 6694;
  - c. owning, operating, managing, working in, investing in, providing capital or loans to, receiving fees or remuneration from, controlling, licensing, consulting with, or franchising a tax return preparation business;
  - d. training, instructing, teaching, and creating or providing cheat sheets, memoranda, directions, instructions, or manuals, pertaining to the

preparation of federal tax returns;

- e. maintaining, assigning, holding, using, or obtaining a Preparer Tax Identification Number (PTIN) or an Electronic Filing Identification Number (EFIN);
- f. engaging in any other activity subject to penalty under 26 U.S.C. §§ 6694, 6695, 6701, or any other penalty provision in the Internal Revenue Code; and
- g. engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

### **AUTHORIZATION**

2. This action is authorized and requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury of the United States, pursuant to 26 U.S.C. §§ 7402, 7407 and 7408, and is commenced at the direction of the Attorney General of the United States.

### **JURISDICTION AND VENUE**

3. Jurisdiction is conferred on the Court by 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) and 7408(a) and 28 U.S.C. § 1391(b) because the defendants prepare tax returns in West Palm Beach, Florida within this judicial district.

### **DEFENDANTS**

5. Defendant Jeffrey Cadet is an unenrolled tax return preparer who resides in Wellington, Florida. Cadet has been preparing returns since 2012. He took a six-week training course regarding such topics as basic income, filing status, dependents, Earned Income Tax Credit

(“EITC”), and the deductibility of expenses with Jackson Hewitt Tax Services, Inc. in 2012. He has also attended Internal Revenue Service seminars.

6. Cadet started preparing tax returns at his brother’s company, Kayloy Demetrius d/b/a KD Tax Services, LLC, in 2012. He worked for another brother, Clifton Michel d/b/a C&J Tax Express, Inc., during the 2013 filing season. Prior to the 2014 filing season, Cadet purchased C&J Tax Express from his brother and renamed the business CJ Tax Express, Inc. (“CJ Tax”). Cadet closed CJ Tax in 2016 after the IRS began investigating his tax preparation activities. Cadet now prepares tax returns through Kersh Tax Service, LLC (“Kersh Tax”). Cadet makes all decisions concerning Kersh Tax. He also manages employees, hires and fires employees and/or independent contractor return preparers, and provides training to return preparers.

7. Defendant Kersh Tax Service, LLC is a single member LLC organized on September 26, 2016. According to its Articles of Organization, Kersh Tax’s principal place of business is 7731 Tam Oshanter Boulevard, North Lauderdale Beach, Florida 33068. The company also offers tax preparation services at an office located at 2677 Forest Hills Boulevard, Suite 110, West Palm Beach, Florida 33415. As an LLC, Kersh Tax can only act through its officer, defendant Kersha Lewis, and employees.

8. Defendant Kersha Lewis resides in North Lauderdale, Florida. Lewis is the mother of Cadet’s child and sole member and president of Kersh Tax. Lewis has no tax-related professional licenses and no formal training in tax return preparation. Cadet gave Lewis his client list in exchange for the relief of a debt he owed her. Prior to opening Kersh Tax, Lewis worked as a store manager and restaurant cook.

9. Defendant Saglenda Johnson resides in West Palm Beach, Florida. Johnson worked as a receptionist at CJ Tax Express. Cadet hired Johnson as office manager at Kersh Tax. Johnson is

responsible for the day-to-day operations of Kersh Tax, including, but not limited to, return preparation and hiring and training of return preparers.

10. Defendants Lewis and Johnson work under Cadet's supervision at Kersh Tax.

### **DEFENDANTS' ACTIVITIES**

11. The defendants, through Kersh Tax and for compensation, prepare false and fraudulent federal income tax returns that understate their customers' federal income tax liabilities and overstate refunds to which they are entitled. The defendants are tax return preparers as defined in 26 U.S.C. § 7701(a)(36).

12. For the 2017 and 2018 filing years (2016 and 2017), the defendants, through Kersh Tax, prepared and filed approximately 1,580 returns with the IRS. The returns for the 2017 filing season were filed electronically. Almost all of the returns for the 2018 filing seasons were filed by mail.

13. Prior to the 2017 and 2018 filing seasons, Cadet, through CJ Tax, personally prepared the following tax returns identifying himself as the preparer:

<b>Processing Year (tax years 2013-2015)</b>	<b>Returns Prepared</b>	<b>Number and % of Returns Claiming Refund</b>	<b>Number and % of Returns Claiming EITC</b>
2012	267	267 (100%)	50 (18%)
2013	1784	1761 (98%)	806 (45%)
2014	1012	978 (96%)	417 (41%)
2015	1724	1680 (97%)	689 (39%)
2016	341	324 (95%)	187 (54%)

14. The defendants engage in unlawful tax return preparation practices including:
  - a. Fabricating itemized deductions on Form Schedule A (Form 1040), “Itemized Deductions,” including for unreimbursed employee business expenses and business mileage expenses;
  - b. Fabricating business expenses on Schedule C - Profit or Loss from Business (“Schedule C”);
  - c. Improperly claiming false filing status, such as “Head of Household.”
  - d. Fabricating false education expenses to claim credits including the American Opportunity Tax Credit (“AOTC”) and Lifetime Learning Credit;
  - e. Circumventing EITC and AOTC due diligence requirements;
  - f. Charging deceptive and/or unconscionable fees;
  - g. Failing to provide customers copies of complete tax returns; and
  - h. Failing to sign or identify themselves on returns they prepare.

**a. False Itemized Deductions**

15. The defendants prepare tax returns for customers that include Forms Schedule A making false claims for purported unreimbursed employee business expenses.
16. The defendants often claim deductions for fabricated, fraudulently inflated, and/or non-qualifying business expenses, particularly for purported business miles driven by customers.
17. The false itemized deductions the defendants include on the customers’ Schedule As, which may exceed 50 percent of the customer’s wages, lower their taxable income and result in the customers receiving overstated refunds.

18. The following examples illustrate the defendants' Schedule A schemes. (To protect the identity of the customers, the Complaint refers to each customer by number, e.g., Customer 1, etc. A key identifying these customers by full name and social security number will be served on the defendants contemporaneously with the Complaint.):

- a. Customer 1: Cadet falsely claimed \$34,700.00<sup>1</sup> in itemized deductions on Customer 1's 2016 Schedule A, including \$19,947.00 in unreimbursed employee business expenses. He also claimed \$20,489.00 in itemized deductions on Customer 1's 2017 Schedule A. The Form 2106 - Employee Business Expenses ("Form 2106") filed with the customer's 2016 Schedule A falsely claimed \$17,797.00 in mileage expenses for 32,958 business miles. Customer 1 was employed at a hospital during 2016 and 2017 and received a salary of \$36,896.00 each year. Customer 1 did not provide any expense or mileage information to Cadet. When Customer 1 traveled to her company's corporate office she was reimbursed for her business expenses by her employer.
- b. The total amount of itemized deductions subtracted from taxable income may be limited, e.g., in accordance with 26 U.S.C. § 68.
- c. Customer 2: Cadet falsely claimed \$15,701.00 in itemized deductions on Customer 2's 2016 Schedule A including unreimbursed employee business expenses of \$15,877.00. The Form 2106 filed with the return falsely claimed \$15,877.00 in mileage expenses for 29,402 business miles. Cadet also falsely claimed \$21,082.00 in unreimbursed employee business expenses on Customer 2's 2017 return. Customer 2 traveled between stores to conduct inventory during

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<sup>1</sup>The amounts reported to the IRS are rounded to the nearest dollar.

2016 and 2017 but she did not keep track of business mileage and did not tell Cadet that she had any unreimbursed business expenses. Customer 2 also does not know how Cadet calculated the mileage and business expenses he claimed on the returns.

- d. Customer 3: Cadet falsely claimed \$21,581.00 in itemized deductions on Customer 3's 2016 Schedule A including unreimbursed employee business expenses of \$21,697.00. The Form 2106 filed with the return falsely claimed \$17,257.00 in mileage expenses for 31,958 business miles. Customer 3 drove a truck on behalf of Goodwill in 2016. He did not tell Cadet that he drove 31,958 miles for business or that he incurred the unreimbursed business expenses claimed on the return.
- e. Customer 4: Cadet falsely claimed total itemized deductions of \$28,142.00 on Customer 4's 2016 Schedule A including \$20,842.00 in unreimbursed employee business expenses. The Form 2106 filed with the return falsely claimed \$18,877.00 in mileage expenses for 34,958 business miles. In 2016 Customer 4 did not travel for work and did not incur any unreimbursed business expenses. Customer 4 was unaware that Cadet had claimed the itemized deductions on her behalf and did not tell him to do so.
- f. Customer 5: Cadet falsely claimed \$15,370.00 in itemized deductions on Customer 5's 2016 Schedule A including \$15,443.00 in unreimbursed employee business expenses. The Form 2106 filed with the return falsely claimed \$15,443.00 in mileage expenses for 28,598 business miles. Cadet also claimed \$21,041.00 in itemized deductions on Customer 5's 2017 Schedule A including

\$21,080.00 in unreimbursed employee business expenses. Customer 5 worked as a server at Ruby Tuesday restaurant during the years in question and part-time at Publix grocery store in 2016. Customer 5 did not incur the mileage or business expenses Cadet claimed on her returns, was unaware that Cadet had claimed those expenses on her behalf, and did not request Cadet do so.

**b. False Schedule C Expenses**

19. The defendants claim fabricated expenses on Form Schedule C to fraudulently increase or decrease customers' claimed earned income, or claim bogus Schedule C expenses to fraudulently decrease customers' claimed earned income. Schedule C is used to report income and expenses from a business. Falsely reducing income and/or claiming false expenses on Schedule C can reduce a customer's adjusted gross income and therefore their tax liability.

20. In one instance, Cadet included seven Schedule Cs with Customer 6's 2016 return which falsely claimed insurance, truck and auto expenses. Customer 6 received income from marketing tours and paid for her own food, clothes, makeup, meals and lodging in 2016. Customer 6 did not incur any of the expenses for her business claimed on her return, did not know how Cadet calculated the false amounts he claimed on the return, and did not tell him to do so. Customer 6 was also unaware that she only needed one Schedule C for her business.

**c. False Filing Status**

21. The defendants prepare tax returns reporting false filing status including "Head of Household" or "Single," both of which are unavailable to married couples living together. Particularly, the Head of Household status is only available to taxpayers who are considered unmarried (either because they do not have a spouse or because they do but still meet certain



criteria under which the IRS will consider them to be unmarried) with qualifying children or dependents.

22. The purpose of fraudulently claiming the Head of Household status is to increase the taxpayers' standard deductions. For instance, for tax year 2017, the standard deduction for an individual who is married and files separately was \$6,350.00. By comparison, a Head of Household filer was entitled to a standard deduction of \$9,350.00. By wrongfully claiming Head of Household status to increase the standard deductions, the defendants cause their customers to underreport their taxes and in some cases to obtain improper refunds, for example:

- a. Customer 7 was married with a 19 year old son who was not in college.

Customer 7 instructed Cadet to claim married filing separately as the filing status on her 2016 return. Cadet falsely claimed Head of Household filing status on Customer 7's return, to increase the customer's standard deduction, by claiming the customer's son as a dependent even though her son did not qualify as a dependent. Customer 7 was unaware that Cadet had claimed the false filing status on her return and Cadet did not inquire about the customer's son to determine whether the customer qualified for Head of Household filing status.

#### **d. False Education Credits**

23. The defendants file returns that incorrectly claim AOTC and Lifetime Learning Credits on IRS Form 8863 for customers who did not incur any education expenses and did not qualify for these credits.

24. The AOTC is a refundable credit for qualified education expenses paid for an eligible student for the first four years of higher education, with a maximum annual credit of \$2,500.00 per eligible student.

25. The Lifetime Learning Credit is a nonrefundable credit which includes 20% of the first \$10,000.00 of qualified education expenses paid for all eligible students with a maximum allowable amount of \$2,000.00.

26. Educational institutions are required by law to provide students with a Form 1098-T, Tuition Statement of tuition billed and paid, and report that information to the IRS.

27. The following illustrates the defendants' abuse of these credits:

- a. Customer 8 was a single parent with twin daughters who were in college in 2016. Daughter 1 worked part-time and Daughter 2 did not work during this period. Daughter 1 received a Form 1098-T for 2016 which reported tuition billed of \$25,008.00 and a scholarship of \$53,313.00. Daughter 2 received a Form 1098-T which reported tuition billed of \$19,386.00 and a scholarship of \$4,980.00. Cadet improperly claimed a combined \$4,000.00 in qualified education expenses on behalf of the daughters to qualify them for the education credits. Daughter 1 did not qualify for the credits because her scholarship amount exceeded her tuition expenses reported on her Form 1098-T. Daughter 2 was only eligible for a portion of the credits. Cadet did not inquire about the students' education expenses or scholarships prior to filing the return.

**e. Circumventing Due Diligence Requirements**

28. The defendants also fail to comply with due diligence requirements for credits including the Earned Income Tax Credit.

29. Additionally, the defendants fail to comply with due diligence requirements for claiming the AOTC.

30. The EITC is a refundable tax credit available to certain low-income working people.

Because the EITC is a refundable credit, claiming an EITC can, in certain circumstances, reduce a taxpayer's federal tax liability below zero, entitling the taxpayer to a payment from the Treasury.

31. Because of the potential for abuse in claiming the EITC, Congress has authorized the Secretary of the Treasury to impose "due diligence" requirements on federal tax return preparers claiming the EITC for their customers. See 26 U.S.C. § 6695(g). These "due diligence" requirements obligate the tax return preparer to make "reasonable inquiries" to ensure the customer is legitimately entitled to the EITC. Among other things, the tax return preparers must document their compliance with these requirements and keep that documentation for three years.

32. Similarly, for tax years beginning after December 31, 2015, Section 6695(g) of the Internal Revenue Code penalizes a tax return preparer who fails to comply with the due diligence requirements imposed by the Secretary by regulations with respect to determining eligibility for the AOTC.

33. Defendants' files for the 2017 filing season did not include the required EITC or AOTC due diligence documents. The defendants routinely prepare IRS Form 8867, Paid Preparer's Due Diligence Checklist, with the returns they file, but fail to ask the required questions to determine whether customers are eligible for the credits. The defendants also fail to request proper documentation in support of claimed credits:

- a. On the 2016 Form 8867 Cadet filed on behalf of Customer 2, Cadet claimed that the customer provided school records for her daughter in compliance with EITC due diligence requirements. The customer did not provide these records to Cadet and Cadet did not request this information.

34. Cadet also has a long history of failing to comply with EITC due diligence requirements dating back to his operation of CJ Tax. Between 2013 and 2015, Cadet received numerous warnings from the IRS while he was doing business under CJ Tax including Letter 4833, Due Diligence Warning Letter, which warned of inaccurate EITC and reminder of a preparer's EITC Due Diligence responsibilities. He also received an IRS EITC Due Diligence visit to notify him to retain EITC Due Diligence documents. Additionally, at least two tax preparers who worked for Cadet at CJ Tax received EITC compliance letters after filing returns with the IRS with non-verifiable qualifying children and self-income. Despite being on notice of the due diligence requirements, Cadet and the defendants failed to comply through the 2018 filing season.

**f. Excessive and or Unconscionable Fees**

35. The defendants charge unconscionably high fees to prepare tax returns, mostly through added fees which are typically charged without customers' knowledge.

36. The defendants intentionally deceive customers regarding the fees charged for preparing tax returns. The defendants do not disclose the full amount of their fees and typically deduct these high fees from the customers' refunds.

37. The high fees charged (which encourages defendants to add unnecessary and often improper forms and schedules to the Form 1040) are a strong incentive for the defendants to prepare and file false or fraudulent tax returns claiming excessive refunds based on bogus claims and associated forms and schedules.

38. The defendants deducted the following undisclosed and excessive fees from customers' refunds without their knowledge or consent:

- a. \$600.00 from Customer 3's 2016 refund;
- b. \$400.00 from Customer 6's 2016 refund; and

c. \$569.00 from Customer 7's 2017 refund.

**g. Failure to provide complete copies of returns**

39. The defendants fail to furnish complete copies of the returns they prepare to customers. Customers who do receive a copy of the tax return often receive only the first two pages of the return, but not the other forms filed with the return, such as Schedule C, Schedule A, and Forms 2106. This is because the defendants make false claims on these forms and, to conceal the claims from customers, do not provide customers with copies of these completed forms. The defendants' failure to provide a copy of a customer's completed tax return is also part of the strategy to conceal the actual fees they charge from their customers.

40. Failing to provide a customer with a copy of the completed tax return also violates 26 U.S.C. § 6107(a), which requires that a tax return preparer "shall furnish a completed copy of [a tax return or claim for refund] to the taxpayer not later than the time such return or claim is presented for such taxpayer's signature."

41. Some of the customers described above did not receive complete copies of their returns from the defendants. For example, Customers 1, 2, 4 and 5 only received copies of the first two pages of their returns. Customer 6 did not receive copies of the seven Schedule Cs the defendants filed on her behalf.

**h. Failure to Sign Returns or Identify as Preparer**

42. The defendants filed approximately 1202 federal tax returns for 2016 using EFINs assigned to Kersh Tax and Kersha Lewis. The defendants filed 378 federal tax returns for 2017 using EFINs assigned to Kersh Tax and Kersha Lewis. Cadet prepared most if not all of those returns.

43. Cadet also personally prepared returns for 2016 and 2017 using PTINs belonging to defendant Saglenda Johnson and other Kersh Tax employees. Cadet prepared and filed returns by mail during the 2018 filing season without identifying himself as the preparer. To illustrate:

- a. Cadet filed the 2016 returns of Customers 1 and 7 using a PTIN issued to a Kersh Tax employee named A. Ruiz.
- b. Cadet filed the 2016 returns of Customers 2, 4, 5, 6 and 8 using a PTIN issued to defendant Johnson.

44. Customers for whom defendants claimed false employee business expenses on Schedule A and fictitious education credits, and from whom defendants took large fees without their knowledge and/or consent filed complaints against defendants with the IRS. The customers also complained that they did not receive complete copies of their returns.

#### **HARM CAUSED BY DEFENDANTS**

45. The defendants' pattern of preparing returns that understate their customers' taxes and/or overstate their refunds, through the schemes described above, results in the loss of significant federal tax revenue. For example, the claiming bogus itemized deductions or false business expenses on customers' returns improperly or fraudulently reduces customers' taxable income and increases or creates refunds. Likewise, the defendants wrongfully claiming Head of Household filing status in order to increase the standard deduction causes their customers to underreport their taxes and/or receive improper refunds. Additionally, the defendants claiming refundable education credits for customers who do not qualify causes customers to receive refunds they are not entitled to.

46. Based only on the approximately two-dozen returns it has examined for the 2017 filing season, the IRS estimates that the United States has lost millions of dollars in tax revenue from

the defendants' consistent understatement of liabilities and overstatement of refunds. In addition, the United States has had to bear the substantial cost of examining the returns the defendants have prepared and collecting the understated liabilities from their customers.

47. The defendants' customers have also been harmed because they relied on the defendants to prepare proper tax returns. Instead, customers' tax returns substantially understated their correct tax liabilities after paying unconscionably high fees to have their tax returns prepared. As a result, many customers, who are often low-income taxpayers, now face large income tax debts and may be liable for penalties and interest.

48. Customers are harmed by the unconscionably high and frequently undisclosed fees tied to anticipated tax refunds. These fees are subtracted from the erroneous refunds that result from the false or fraudulent tax return preparation perpetrated by the defendants. When the IRS audits or examines customers and seeks repayment of these erroneous refunds, the customers are liable for the repayment of the entire amount of those unwarranted refunds.

49. Not only do customers face the hardship associated with repayment of erroneous refunds resulting from the defendants' greed at others' expense, but customers may also have to repay the portion of the refund that the defendants subtracted in fees. Customers may also have to pay additional fees to other tax return preparers to file amended tax returns to correct the false or fraudulent tax returns prepared and filed by the defendants.

50. The defendants' conduct also causes intangible harm to honest tax return preparers who unfairly lose business to the defendants due to the defendants' willingness to break the law. Customers often have their returns prepared at the defendants' tax preparation stores because they promise the maximum refund, and deliver by fabricating claims and deductions on customers' tax returns.

51. The defendants' conduct also harms the public at large by undermining public confidence in the federal tax system and encouraging widespread violations of the internal revenue laws.

52. The harm to the government and the public will continue, and likely increase, unless the defendants are enjoined because - given the seriousness and pervasiveness of their illegal conduct - without an injunction, the defendants are likely to continue preparing false and fraudulent federal income tax returns for customers. An injunction will serve the public interest because it will put a stop to the defendants' illegal conduct and the harm that it causes the United States and its citizens.

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

53. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin a tax return preparer from engaging in conduct subject to penalty under 26 U.S.C. § 6694 or § 6695. 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 tax return preparer. The prohibited conduct justifying an injunction includes, among other things, the following:

- a. Engaging in conduct subject to penalty under 26 U.S.C. § 6694(a), which penalizes a return preparer who prepares a return or claim for refund that contains an unreasonable position and the return preparer knew (or reasonably should have known) of the position;
- b. Engaging in conduct subject to penalty under 26 U.S.C. § 6694(b), which among other conduct, penalizes a return preparer who recklessly or intentionally disregards IRS rules or regulations;
- c. Engaging in conduct subject to penalty under 26 U.S.C. § 6695(a), which penalizes a return preparer who fails to furnish a copy of the return he or



she prepares to the taxpayer;

- d. Engaging in conduct subject to penalty under 26 U.S.C. § 6695(b), which penalizes a return preparer who fails to sign a return when required to do so by the Treasury Regulations;
- e. Engaging in conduct subject to penalty under 26 U.S.C. § 6695(c), which penalizes a return preparer who fails to identify himself or herself as the paid preparer on a return by supplying his identification information as required by 26 U.S.C. § 6109(a)(4);
- f. Engaging in conduct subject to penalty under 26 U.S.C. § 6695(g), which penalizes a return preparer who fails to comply with the statutory due diligence requirements; or
- g. Engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.

54. The defendants are tax return preparers who, individually and through Kersh Tax, repeatedly and continually prepare or submit returns or portions of returns (or employ or manage others who prepare or submit returns or portions of returns) that contain unreasonable positions and substantially understate the liability for tax on the return.

55. The defendants continually and repeatedly engage in conduct subject to penalty under 26 U.S.C. § 6694 by preparing federal tax returns that understate their customers' liabilities based on unrealistic, frivolous and reckless positions including: (a) falsely claiming Schedule A employee business expenses; (b) falsely claiming tuition and related fees; (c) claiming false business expenses on Schedule C; and (d) claiming improper filing status for customers. The defendants, through the aforementioned actions, also recklessly or intentionally disregard IRS rules or regulations.

56. The defendants continually and repeatedly engage in conduct subject to penalty under 26 U.S.C. § 6695. The defendants fail to provide a copy of the completed return they preparer to a taxpayer so are subject to penalty under 26 U.S.C. § 6695(a). The defendants fail to sign returns

they prepare and fail to identify themselves as preparers on returns by supplying information required by 26 U.S.C. §6109(a)(4), and instead use PTINs that are not assigned to them to prepare returns, so are subject to penalty under 26 U.S.C. §6695(b) and (c).

57. The defendants fail to conduct proper due diligence or comply with the due diligence requirements, and improperly circumvent EITC and AOTC due diligence requirements so are subject to penalty under 26 U.S.C. §6695(g).

58. The defendants' continual and repeated violations of 26 U.S.C. §§ 6694 and 6695 fall within 26 U.S.C. § 7407(b)(1)(A), and thus they are subject to an injunction under 26 U.S.C. § 7407.

59. The defendants' continual and repeated fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws falls within 26 U.S.C. § 7407(b)(1)(D), and thus they are subject to an injunction under 26 U.S.C. § 7407.

60. If the defendants are not enjoined from all tax preparation, they are likely to continue to prepare and file false and fraudulent tax returns.

61. The defendants' continual and repeated conduct subject to an injunction under 26 U.S.C. § 7407, including their continual and repeated fabrication of income, expenses, and deductions, is so flagrantly illegal and so egregious that it demonstrates that a narrow injunction prohibiting only specific conduct would be insufficient to prevent the defendants' interference with the proper administration of the internal revenue laws. Accordingly, the defendants should be permanently barred from acting as federal tax return preparers, and from owning, operating, managing, investing in, controlling, licensing, franchising, or working for a tax return preparation business.

**COUNT II: INJUNCTION UNDER 26 U.S.C. § 7408 FOR CONDUCT  
SUBJECT TO PENALTY UNDER 26 U.S.C. § 6701**

62. 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, which 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.

63. The defendants have engaged in conduct subject to penalty under 26 U.S.C. § 6701 by preparing income tax returns that claim credits and deductions that they knew to be improper, false, and/or inflated.

64. If the Court does not enjoin the defendants, they are likely to continue to engage in conduct subject to penalty under 26 U.S.C. § 6701. The preparation of tax returns claiming improper expenses and deductions and/or credits by the defendants is widespread over many customers and tax years. Injunctive relief is therefore appropriate under 26 U.S.C. § 7408 to prevent recurrence of this conduct.

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

65. 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.

66. The defendants have engaged in conduct that substantially interferes with the enforcement of the internal revenue laws through the actions described above, including, but not limited to, preparing tax returns that negligently, recklessly, and/or fraudulently understate customers' tax liabilities and charging unconscionable and undisclosed fees for the preparation of federal tax returns that understate customers' tax liabilities.

67. Unless enjoined, the defendants are likely to continue to engage in such improper conduct and interfere with the enforcement of the internal revenue laws. If the defendants are not enjoined from engaging in fraudulent and deceptive conduct, the United States will suffer irreparable injury by providing federal income tax refunds to individuals not entitled to receive them.

68. While the United States will suffer irreparable injury if the defendants are not enjoined, the defendants will not be harmed by being compelled to obey the law.

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

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

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

- A. That the Court find that the defendants have continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 and 6695, and have 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 26 U.S.C. § 7407, enter a permanent injunction prohibiting the defendants from acting as federal tax return preparers;
- C. That the Court find that the defendants have engaged in conduct subject to penalty under 26 U.S.C. § 6701, and that injunctive relief under 26 U.S.C. § 7408 is appropriate to prevent a recurrence of that conduct;
- D. That the Court find that the defendants have engaged in conduct that

interferes with the enforcement of the internal revenue laws, and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and 26 U.S.C. § 7402(a);

E. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter a permanent injunction prohibiting the defendants from:

- (1) acting as federal tax return preparers or requesting, assisting in, or directing the preparation or filing of federal tax returns, amended returns, or other related documents or forms for any person or entity other than themselves;
- (2) preparing or assisting in preparing federal tax returns that they know or reasonably should know would result in an understatement of tax liability or the overstatement of federal tax refund(s) as penalized by 26 U.S.C. § 6694;
- (3) owning, operating, managing, working in, investing in, providing capital or loans to, receiving fees or remuneration from, controlling, licensing, consulting with, or franchising a tax return preparation business;
- (4) training, instructing, teaching, and creating or providing cheat sheets, memoranda, directions, instructions, or manuals, pertaining to the preparation of federal tax returns;
- (5) maintaining, assigning, holding, using, or obtaining a Preparer Tax Identification Number (PTIN) or an Electronic Filing Identification Number (EFIN);
- (6) engaging in any other activity subject to penalty under 26 U.S.C. §§ 6694, 6695, 6701, or any other penalty provision in the Internal Revenue Code; and
- (7) engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

F. That the Court enter an injunction requiring the defendants, at their own expense, within 30 days after entry of any injunction or as otherwise specified:

- (1) To send by certified mail, return receipt requested, a copy of the final injunction entered against the defendants in this action, as well as a copy of the Complaint setting forth the allegations as to how the defendants fraudulently prepared federal income tax returns, to each person for whom the defendants prepared federal income tax returns or any other federal tax forms after January 1, 2014;
- (2) To turn over to the United States copies of all returns and claims for refund that the defendants prepared after January 1, 2014;
- (3) To surrender to the Secretary of the Treasury or his delegate any and all PTINs held by, assigned to, or used by each defendant pursuant to 26 U.S.C. § 6109, and the EFINs held by, assigned to, or used by each defendant;
- (4) To prominently post a copy of the injunction in the defendants' place of business where tax returns were prepared by the defendants;
- (5) To deliver a copy of the injunction to the defendants' employees, contractors, and vendors;
- (6) To file a sworn statement with the Court evidencing the defendants' compliance with the foregoing directives within forty-five (45) days of entry of the final injunction in this action; and
- (7) To keep records of the defendants' compliance with the foregoing directives, which may be produced to the Court, if requested, or the United States pursuant to paragraph G, *infra*.

G. That the Court enter an order allowing the United States to monitor the defendants' compliance with the injunction and to engage in post-judgment discovery in accordance with the Federal Rules of Civil Procedure; and

H. That the Court grant the United States such other and further relief as the Court deems appropriate.

Dated: January 15, 2019.

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