

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MARYLAND

UNITED STATES OF AMERICA,)	
)	Case No. 1:15-cv-03378
Plaintiff,)	
)	
v.)	
)	
CHARESE JOHNSON,)	
Individually And Doing Business As Prodigy)	
Accounting Services)	
548 Beards Hill Road)	
Aberdeen, Harford County, Maryland 21001)	
)	
Defendant.)	
_____)	

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF

The United States of America, at the request of the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and at the direction of the Attorney General of the United States, brings this suit to permanently enjoin the defendant, Charese Johnson, doing business as Prodigy Accounting Services, from directly or indirectly:

- (a) Preparing or filing, or assigning in the preparation or filing, of any federal tax return, amended federal tax return, or other federal tax documents or forms for any person or entity, or otherwise representing customers before the IRS;
- (b) Organizing or selling abusive tax shelters, plans, or arrangements that advise or encourage taxpayers to attempt to evade the assessment or collection of their correct federal tax liabilities;
- (c) Organizing, promoting, marketing, or selling any plan or arrangement that advises or encourages taxpayers to attempt to violate internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including promoting, selling, or advocating the use of false Forms 8281 and 1099-A, or other false IRS forms based on the false assertions that:

- i. Taxpayers can draw on the Treasury of the United States to pay their tax debt or receive a refund using Forms 8281, 1099-A, or other documents;
 - ii. Taxpayers can issue false Forms 1099 to a credit and report the amount on the False Forms 1099 as income taxes withheld on their behalf; and
 - iii. Taxpayers have a secret account with the Treasury Department which they can use to pay their debts or which they can draw on for refunds through a process that is commonly referred to as “redemption.”
- (d) Engaging in any conduct or activity subject to penalty under section 6701 of the Internal Revenue Code, *i.e.*, preparing or assisting others in the preparation of any tax form or other document to be used in connection with a material matter arising under the internal revenue laws and which the defendant knows will (if so used) result in the understatement of tax liability;
- (e) Engaging in conduct subject to penalty under section 6694 of the Internal Revenue Code by understating taxpayers’ federal tax liabilities;
- (f) Engaging in conduct subject to penalty under section 6695 of the Internal Revenue Code by failing to sign returns prepared by her and failing to provide her identifying number thereon;
- (g) Engaging in conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

JURISDICTION AND VENUE

1. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 28 U.S.C. §§ 7402(a), 7407, and 7408.

2. Venue is proper in this Court pursuant to 28 U.S.C. § 1396 because Charese Johnson resides in this judicial district and has provided tax advice and tax return preparation services in this district.

THE DEFENDANT

3. Defendant Charese Johnson is a tax return preparer who resides in Aberdeen, Maryland. Johnson offers tax preparation services to customers under the business name “Prodigy Accounting Services, Inc.,” the primary business address of which is also in Aberdeen,

Maryland. On information and belief, Prodigy Accounting Services, Inc. is a suspended Maryland corporation.

“REDEMPTION” TAX AVOIDANCE SCHEMES

4. Johnson’s basic scheme is uncomplicated: she promotes a method for taxpayers to reduce tax liabilities and claim enormous refunds based on frivolous tax positions. When hired by an individual to prepare tax returns, she falsifies documents and prepares returns based on those documents that claim bogus tax credits and withholdings those taxpayers are simply not entitled to claim.

5. The theory behind Johnson’s scheme, and others like it, is the so-called “redemption” theory. “Redemptionists” insist that the United States government maintains a secret account with each citizen with the Treasury Department (often referred to as a “straw man” account) against which the citizen may “redeem” funds for a number of purposes, *e.g.*, to pay tax liabilities, pay private creditors, and claim withholding and other tax credits.

6. The IRS and the courts have made clear time and again that these “straw man accounts” are pure fiction and that “redemption” theories are frivolous positions for tax purposes. *See* Rev. Rul. 2004-31; Rev. Rul. 2005-21; *see also* http://www.irs.gov/Tax-Professionals/The-Truth-About-Frivolous-Tax-Arguments-Section-I-D-to-E#_Toc350157915; and *United States v. Anderson* 353 F.3d 490, 500 (6th Cir. 2003), *cert. denied*, 541 U.S. 1068 (2004) (explaining that the Treasury Department does not maintain depository accounts against which an individual can draw a check, draft, or financial instrument).

7. Nonetheless, Johnson continues to sell “redemption” plans or arrangements to her clients and in order to understate her clients’ tax liabilities on their returns.

8. Johnson's version of this scheme involves filing fraudulent IRS information returns along with individual tax returns. Information returns are documents that are required to be filed by entities in order to provide information to the IRS about, for example, money paid to an individual taxpayer by an entity and any federal income tax that the entity withheld. A common information return is the federal Form W-2 (Wage and Tax Statement) that an employer files with the IRS to report income paid to an employee and federal income tax withheld on the employee's behalf.

9. The primary information return involved in Johnson's scheme is IRS Form 8281 (Information Return for Publicly Offered Original Issue Discount Instruments). Under the Internal Revenue Code, an entity that publicly issues debt instruments that generate "Original Issue Discount" ("OID") must file the Form 8281 with the IRS. OID refers to the difference between the discounted price at which a debt instrument is sold at issuance and its stated redemption price at maturity. For example, if a taxpayer purchases for \$950 a 10-year bond with a stated redemption price of \$1,000, the OID is \$50 and the taxpayer must account for that interest every year on his or her return towards the total \$50.

10. The Form 8281 reports, among other things, the amount of OID for the entire issue, the applicable interest rate, and the schedule for the accrual of that interest. The purpose of the Form 8281 is twofold: (1) to provide information for brokers and middlemen who may hold OID instruments as nominees for the true owners sufficient information so that they may themselves file a Form 1099-OID; and (2) to help owners of publicly offered OID instruments determine how much OID to report on their income tax returns.

11. Another information return that Johnson utilizes is the IRS Form 1099-A (Acquisition or Abandonment of Secured Property). Form 1099-A is filed by a lender that, in

connection with its trade or business, acquires an interest in the property of a borrower as security for the borrower's debt to the lender. The form is also filed when a lender with a security interest in the property knows or has reason to believe that the property has been abandoned.

JOHNSON'S FRAUDULENT SCHEME

12. Johnson's scheme typically involves preparing and filing one of more of these information returns (usually a Form 8281 and a Form 1099-A) along with her client's amended individual tax return, ostensibly to "redeem" funds from fictitious secret Treasury accounts.

Specifically, Johnson assists her clients in generating:

- a. A fictitious Form 8281 claiming that the taxpayer has issued a debt instrument generating OID. In reality, no such transaction has occurred.
- b. A fictitious Form 1099-A purporting to reflect that the taxpayer had made a secured loan to a financial institution or other business entity and that the secured property had either been abandoned or acquired by the taxpayer. In fact, no such transactions had occurred.
- c. A UCC -1 Financing Statement purporting to reflect that the taxpayer has a secured interest in property held by a financial institution. In fact, the taxpayer has no such interest.

13. Those information returns and other supporting documents falsely claim that the taxpayer has loaned money to some entity. Usually the purported borrower is in fact a lender with whom the taxpayer has a home loan. Johnson then inputs various amounts from her client's mortgage note into the Form 8281 and/or the Form 1099-A. For example, Johnson will enter the principal of a client's mortgage loan as the "purchase price" of the imaginary debt instrument on

the fictitious Form 8281; the full amount of payments with interest under the mortgage note as the “redemption at maturity” for the imaginary debt instrument; and the difference as “original issue discount.” This use of the Form 8281 is entirely inappropriate and nonsensical.

14. Johnson also submits, or advises her clients to submit, other “supporting” documents, such as a mortgage note and the General Services Administration Form 91. None of these documents “support” the claimed withholdings or credits. Indeed, the Form 91 is not even a tax-related form.

15. The amended tax return then either claims the false OID income reported on the Form 8281 or amounts on the Form 1099-A as withholdings or as credits.

16. In many cases, after the IRS rejects the taxpayer’s amended tax return for asserting a frivolous and incorrect position, the taxpayer files a second amended return.

17. The second amended return usually includes the same fraudulent “supporting” documents submitted with the first return and does little more than re-order the information included in those “supporting” documents to claim different, incorrect amounts as withholdings or credits.

18. Sometimes, the second return includes slightly different notations or explanations and/or appends additional “supporting” documents, but the second amended return does not correct the underlying frivolous tax position.

19. Notwithstanding the fact that some further amended returns do not list Johnson’s name as preparer, there are numerous indications that she prepares them.

20. The following examples of federal tax returns prepared by Johnson are illustrative of Johnson’s scheme:

Customer A

21. In 2014, Johnson prepared a Form 1040X Amended Individual Income Tax Return for the 2012 tax year for Customer A. The amended return improperly claimed \$1,050,903 in refundable credits, with the notation: “8281 WITH SUPPORTING DOCUMENTS.” Johnson signed the amended return as tax preparer.

22. The following “supporting documents” were submitted to the IRS: a Form 8281 for a fictitious “debt instrument” with an issue price of \$546,400.00 and OID of \$1,050,902.87, a falsified Form 1099-A, a falsified GSA Form 91, a falsified UCC-1 Financing Statement, and a copy of what purported to be a Note and Deed of Trust securing a mortgage loan with a principal amount of \$546,400.00 between Customer A and a lender.

23. Whereas the original return claimed no refund, the amended return improperly claimed a refund of \$1,050,903.

Customer B

24. In 2013, Johnson prepared a Form 1040X Amended Individual Income Tax Return for the 2012 tax year for Customer B. The amended return improperly claimed \$1,748,608 in refundable credits with the notation: “8281 WITH SUPPORTING DOCUMENTS.”

25. The following “supporting documents” were submitted to the IRS: a Form 8281 for a fictitious “debt instrument” with an issue price of \$279,650 and OID of \$1,748,607.94, a falsified Form 1099-A, a falsified GSA Form 91, a falsified UCC-1 Financing Statement, and copy of what purported to be a Note and Deed of Trust securing a mortgage loan with a principal amount of \$279,650 between Customer A and a lender. Stamped on the Note was following

language: “Request for Payment for Value Received Paid to the Order of the United States of America Without Recourse,” along with Customer B’s signature.

26. Whereas the original return claimed only a \$3,190 refund, the amended return improperly claimed a refund of \$1,748,608. Johnson signed the amended return as tax preparer.

Customer C

27. In 2013, Johnson prepared a Form 1040X Amended Individual Income Tax Return for the 2012 tax year for Customer C. The amended return improperly claimed \$503,527 in refundable credits (in addition to the \$1,791 claimed on the original return), with the notation: “8281 SUPPORTING DOCUMENT.” Johnson signed this return as tax preparer.

28. The following “supporting documents” were submitted to the IRS: a Form 8281 for a fictitious “debt instrument” with an issue price of \$345,800 and OID of \$503,527.50, a falsified Form 1099-A, and a copy of what purported to be a Note and Deed of Trust securing a mortgage loan with a principal amount of \$546,400.

29. The amended return improperly claimed a refund of \$503,319.

30. On or about March 12, 2015, the IRS informed Customer C by letter that it determined that the information submitted on the amended return was incorrect and based upon a frivolous tax position.

31. On or about March 17, 2014, Johnson prepared and filed a “corrected” Form 1040X Amended Individual Income Tax Return for Customer C for the 2012 tax year.

32. The “corrected” return asserted the same frivolous tax position as the first amended return, simply removing the claimed credit and instead claiming \$345,800 in improper and incorrect tax withholding.

33. The same forms submitted with the original amended return were resubmitted with the “corrected” return.

34. The “corrected” amended return improperly claimed a refund of \$345,800 and Johnson again signed the return as tax preparer.

Customer D

35. In 2013, Johnson prepared a Form 1040X Amended Individual Income Tax Return for the 2012 tax year for Customer D. The amended return improperly claimed \$212,526 in refundable credits (in addition to the \$12,179 in tax withholding claimed on Customer D’s original return), with the notation: “FORM 8281 SEE ATTACHED NOTES.” Johnson signed the return as tax preparer.

36. The following “supporting documents” were submitted to the IRS: a Form 8281 for a fictitious “debt instrument” with an issue price of \$193,150 and OID of \$212,526.31, a falsified Form 1099-A, a falsified GSA Form 91, a falsified UCC-1 Financing Statement, and a copy of what purported to be a Note and Deed of Trust securing a mortgage loan with a principal amount of \$193,150 between Customer D and a lender.

37. Part III of the return, titled “Explanation of Changes,” contained the following language:

THE TAXPAYER PRESENTED FORM 8281 CONFIRMED BY THE IRS REPRESENTING REFUNDABLE CREDIT. THE TAXPAYER PRESENTED SUPPORTING DOCUMENTS SUCH AS 1099a, FORM 91, TRUTH IN LENDING DISCLOSURE, AND FINANCIAL ASSETS NOTE AND BOND . . . TO AMEND RETURN ACCORDING TO DEBT INSTRUMENTS. ATTACHED ARE THE SUPPORTING DOCUMENTS.

38. The original return claimed a total refund of \$8. The amended return improperly claimed a refund of \$212,526.

39. On March 5, 2014, the IRS informed Customer D by letter that it determined that the information submitted in the amended return was incorrect and based upon a frivolous tax position.

40. On March 25, 2013, a second amended Form 1040X Individual income tax return was filed for Customer D for the 2012 tax year. This time, the second return improperly claimed \$193,150 in withholdings and did not claim the same credits.

41. The second amended return improperly claimed a total refund of \$194,510. Johnson did not sign the second return, but the second amended return attached the same “supporting documents” as were submitted first amended return, and an explanation that was in the same font.

Customers E and F

42. In 2014, Johnson prepared a joint Form 1040X Amended Individual Income Tax Return for the 2011 tax year for Customers E and F. The amended return improperly claimed \$416,200 in refundable credits (in addition to the \$2,371 in tax withholding claimed on their original return), with the notation: “8281 SUPPORTING DOCUMENTS.” Johnson signed the return as tax preparer.

43. The following “supporting documents” were submitted to the IRS: a Form 8281 for a fictitious “debt instrument” with an issue price of \$280,000 and OID of \$416,200.04.

44. The original return claimed a total refund of \$112. The amended return prepared by Johnson improperly claimed a refund of \$416,200.

45. On or about March 10, 2014, Johnson prepared and filed a second joint Form 1040X Amended Individual Income Tax Return for the 2011 tax year for Customers E and F.

46. The second amended return asserted the same frivolous tax position as the first amended return, simply removing the claimed credit and instead claiming \$280,000 in improper and incorrect tax withholding. A falsified GSA Form 91 was also submitted along with the second amended return. Johnson signed the second amended return as tax preparer.

47. On or about April 30, 2014, the IRS informed Customers E and F by letter that it determined that the information submitted on the first amended return was incorrect and based upon a frivolous tax position.

HARM CAUSED BY DEFENDANT’S SCHEME

48. The harm caused by this scheme is widespread and significant, affecting the Treasury Department, Johnson’s paying customers, and the taxpaying public.

49. Johnson has identified herself as the preparer for returns as follows for the 2011-2014 filing seasons using her Preparer Tax Identification Number (P-TIN) or Social Security Number:

Processing Year	Returns Prepared	Portion of Returns that Claim Refunds
2014	8	62%
2013	43	79%
2012	0	N/A
2011	6	50%

50. Johnson has identified herself as the preparer for returns as follows for the 2011-2014 filing seasons using the Employer Identification Number (EIN) of Prodigy Accounting Services:

Processing Year	Returns Prepared	Portion of Returns that Claim Refunds
2014	7	71%
2013	42	80%
2012	0	N/A
2011	6	50%

51. However, these numbers do not include returns removed from processing by the IRS or amended/subsequent returns. This is important because nearly all of the frivolous returns associated to date with Johnson have been amended returns.

52. To date, the IRS has identified at least *forty-one (41) returns associated with Johnson* that bear the characteristics of Johnson's fraudulent refund promotion. On information and belief, the number of frivolous tax returns at issue is possibly much higher, as Johnson may have prepared other amended returns or "corrected" amended returns, but failed to identify herself as the return preparer, as required by law.

53. While the IRS is able to detect and stop many fraudulent refund claims, Johnson's scheme relies on the submission of forms that more closely resemble legitimate filings. Accordingly, the IRS has incurred costs in investigating Johnson's tax preparation, assessing proper taxes against her taxpayer clients, and instituting post-assessment proceedings as necessary, and the IRS will likely continue to incur such costs in the future as more amended returns are identified.

54. Johnson's scheme is also particularly dangerous because her clients claim massive refunds ranging from several hundred thousand dollars to nearly two million dollars. The potential harm caused by the issuance of even one erroneous refund is therefore significant.

COUNT ONE
PENALTY AND INJUNCTION UNDER 26 U.S.C. § 7407
(VIOLATIONS OF 26 U.S.C. § § 6694(b), 6695)

55. The United States incorporates by references paragraphs 1 through 57 as if set forth fully herein.

56. Under 26 U.S.C. § 7407, courts may issue injunctions to enjoin a tax preparer from:

- a. engaging in conduct subject to penalty under Internal Revenue Code § 6694 (which penalizes a return preparer who prepares or submits a return or claim that contains a frivolous or unrealistic position, or who willfully attempts to understate a customer's tax liability on a return or claim, or who makes an understatement on a return due to reckless or intentional disregard of rules or regulations);
- a. engaging in conduct subject to penalty under § 6695 (which penalizes a return preparer for failing to identify herself and/or failing to provide her identification number on a tax return she has prepared);
- b. engaging any other fraudulent or deceptive conduct which substantially interferes with the proper administration of federal tax laws. 26 U.S.C. § 7407(b)(1).

57. Where a court finds that a preparer has continually or repeatedly engaged in such conduct, and the court finds that a narrower injunction prohibiting only the enumerated conduct would be insufficient to prevent that person's interference with the proper administration of the internal revenue laws, the court may enjoin that person from acting as a federal tax return preparer.

58. Johnson is a tax preparer under 26 U.S.C. § 7701(a)(36)(A) because she prepared for compensation federal income tax returns for customers, as well as supporting documentation submitted therewith.

59. Johnson continually and repeatedly prepared and submitted federal tax returns on behalf of her customers that contained unrealistic and frivolous positions, and that willfully attempted to understate her customers' correct tax liabilities, and has thus engaged in conduct subject to penalty under 26 U.S.C. § 6694.

60. Johnson knew or should have known that filing false tax returns and false supporting documents pursuant to the OID scheme was frivolous and unreasonable, since both the IRS and various courts have publicly stated that all redemption-based theories are frivolous.

61. Johnson also prepared or assisted in preparing and submitted supplemental or further amended returns for her paying customers asserting the same "redemption" positions and same fraudulent tax documents after the IRS directly informed those customers of the frivolous nature of those positions.

62. Johnson also prepared or assisted in preparing returns and other fraudulent documents submitted therewith but did not disclose that she was the paid preparer of at least a portion of those returns, in violation of 26 U.S.C. § 6695.

63. Injunctive relief under § 7407 is appropriate to prevent Johnson from continuing her misconduct described above because, absent an injunction, she is likely to continue to prepare false federal tax returns and engage in other misconduct of the type described in this complaint.

64. Johnson should be permanently enjoined under § 7407 from acting as a federal tax return preparer or assisting in any way with the preparation of federal income tax returns

because a more limited injunction would be insufficient to stop her from interfering with the proper administration of the tax laws.

COUNT TWO
INJUNCTION UNDER 26 U.S.C. § 7408
(VIOLATIONS OF 26 U.S.C. § 6701)

65. The United States incorporates by references paragraphs 1 through 57 as if set forth fully herein.

66. The United States may seek an injunction to enjoin any person from, *inter alia*, engaging in conduct subject to penalty under 26 U.S.C. § 6701.

67. 26 U.S.C. § 6701 imposes a penalty upon any person who aids or assists in, procures, or advises with respect to, the preparation or presentation of any portion of a return, affidavit, claim, or other document, who knows (or has reason to believe) that such portion will be used in connection with any material arising under the Internal Revenue Laws, and knows that such portion (if so used) would result in an understatement of the tax of another person.

68. Johnson has generated falsified documents – including but not limited to Forms 8281 and 1099-A – on behalf of dozens of customers.

69. Johnson knowingly prepared or at least aided and assisted in the preparation of fraudulent returns for her clients, and signed many of the frivolous returns as preparer.

70. At the time Johnson prepared or aided and assisted in the preparation of fraudulent returns, Johnson knew or had reason to know that her actions would result in the understatement of her customers' tax liabilities.

71. Accordingly, Johnson engaged in conduct subject to penalty under 26 U.S.C. § 6701.

72. Given the ongoing, multi-year nature of Johnson's scheme, injunctive relief is appropriate to prevent recurrence of Johnson's conduct.

COUNT THREE
INJUNCTION UNDER 26 U.S.C. § 7408
(VIOLATIONS OF 26 U.S.C. § 6700)

73. The United States incorporates by reference paragraphs 1 through 57 as if set forth fully herein.

74. Any person who organizes or sells a plan or arrangement and in connection therewith makes or furnishes or causes another person to make or furnish a statement regarding the securing of a tax benefit that the person knows, or has reason to know, is false or fraudulent as to any material matter is subject to penalty under 26 U.S.C. § 6700.

75. Johnson prepares, promotes, and sells a tax arrangement wherein she prepares falsified information returns and federal income tax returns claiming enormous tax credits or withholdings, ostensibly for the purpose of securing enormous tax refunds for her paying clients.

76. Johnson advises taxpayers of a "process" through which they can "take control of" notes they have executed with their secured lenders and claim such credits, presumably under the bogus "redemption" theory. In furtherance of this scheme, she prepares or assists in preparing information returns (primarily the Form 8281 and the Form 1099-A) for those clients. These information returns claim: (1) that the taxpayer has issued a debt instrument that generates OID (in the case of the Form 8281); and (2) that the taxpayer is a lender with a secured interest in property that has been abandoned (in the case of the Form 1099-A). In reality, the taxpayer has issued no such debt instrument and has no such security interest. Accordingly, the Forms 8281 and 1099-A that she prepares are wholly falsified.

77. Thereafter, Johnson prepares amended Form 1040X tax returns for her clients that claim various credits or withholdings based on the amounts listed on the falsified Form 8281 and Form 1099-A. These credits and withholdings are not allowed under applicable law.

78. Through her promotion of this tax fraud scheme, Johnson makes and furnishes false and/or fraudulent material statements regarding the legality of certain credits and withholdings, and the securing of tax benefits derived from participation in her tax fraud schemes. Johnson knew or had reason to know that the statements are false or fraudulent.

79. Moreover, Johnson knew or had reason to know that the information reported on her clients' Forms 8281 and 1099-A information returns was false, and that the tax returns she prepared for her clients based upon those documents contained false or fraudulent statements within the meaning of 26 U.S.C. § 6700(a)(2)(A). Accordingly, Johnson caused her customers to make fraudulent statements to the IRS regarding their claim to a tax refund when she prepared and filed these fraudulent tax returns on behalf of her customers.

80. Nonetheless, Johnson has persisted in promoting her abusive scheme, and in preparing tax returns based on that scheme, even after the IRS has informed her clients by letter that their returns have been deemed frivolous and that penalties will be assessed on that basis. Specifically, even after returns that she has prepared have been rejected, she asserts the same position and theories in subsequent amended returns for the same clients.

81. Johnson has engaged in conduct subject to penalty under 26 U.S.C. § 6700 in connection with the promotion, organization, and sale of her abusive tax avoidance scheme and arrangement described above, and the preparation of tax returns relating to that scheme. Unless enjoined by this Court, she is likely to continue to engage in such conduct. Injunctive relief therefore appropriate under 26 U.S.C. § 7408.

COUNT FOUR
INJUNCTION UNDER 26 U.S.C. § 7402

82. The United States incorporates by references paragraphs 1 through 57 as if set forth fully herein.

83. Courts may issue injunctions necessary or appropriate for the enforcement of internal revenue laws, even if the United States has other remedies available for enforcing those laws. 26 U.S.C. § 7402(a).

84. Johnson has substantially interfered with the enforcement of internal revenue laws by promoting her “redemption” scheme, filing falsified federal tax documents on behalf of her clients, attempting to secure overstated refunds to which her clients are not entitled, and in some cases failing to disclose her role as tax preparer on the returns themselves.

85. As a direct result of Johnson’s misconduct, the individuals for whom she prepared fictitious Forms 8281, 1099-A, and the like, fail to file proper tax returns and instead file frivolous claims for refund.

APPROPRIATENESS OF INJUNCTIVE RELIEF

86. Unless enjoined by the Court, Johnson is likely to continue to engage in conduct described in paragraphs 1 through 57, above.

87. Johnson’s conduct results in irreparable harm to the United States and the United States has no adequate remedy at law. Specifically, Johnson’s conduct results in filings that hinder the IRS’s ability to determine the correct tax liabilities of those for whom she filed amended tax returns. This interference is compounded by the fact that Johnson crafts her fraudulent returns to resemble legitimate ones, and because she does not always properly disclose herself as the preparer of the returns. Unless Johnson is enjoined, the IRS will have to

devote substantial time and resources simply to detect future returns with improper deductions and credits, and may be unable to detect all of them.

88. Johnson has already submitted at least ninety-four (94) returns. Unless enjoined by this Court, Johnson will continue to promote this “redemption” tax fraud scheme and engage in conduct subject to penalty under 26 U.S.C. §§ 6700, 6701, 6694 and 6694 that interferes with the enforcement of the internal revenue laws.

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

A. That the Court find that Charese Johnson 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 Johnson (and any business through which she operates, including Prodigy Accounting Services) and anyone acting in concert with them from engaging in any further such conduct;

B. That the Court find that Charese Johnson has continually and repeatedly 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 Johnston (and any business through which she operates, including Prodigy Accounting Services) from acting as an income tax return preparer because an injunction limited to prohibiting such conduct would not be sufficient to prevent her interference with the proper administration of the internal revenue laws;

C. That the Court find that Charese Johnson engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against Johnson (and any business through which she operates, including Prodigy Accounting Services) is appropriate to prevent the recurrence of that conduct pursuant to the Court’s inherent equity powers and 26 U.S.C. § 7402(a);

D. That the Court, pursuant to IRS §§ 7402 and 7407, enter a permanent injunction barring the defendant, Charese Johnson, from acting as a federal income tax return preparer and from preparing or filing returns for others, and from representing customers before the IRS;

E. That the Court, pursuant to 26 U.S.C. §§ 7402 and 7408, enter a permanent injunction prohibiting Charese Johnson, individually and doing business as or through any other entity, including Prodigy Accounting Services, and prohibiting their representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with them, from directly or indirectly by means of false, deceptive, or misleading commercial speech, from:

1. Organizing, promoting, marketing, or selling (or helping others to organize, promote, or sell) the fraudulent any abusive tax shelter, plan or arrangement that incites taxpayers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
2. Inciting other individuals and entities to understate their federal tax liabilities, avoid the filing of federal tax returns, or avoid paying federal taxes;
3. Directly or indirectly organizing, promoting, marketing, or selling any plan or arrangement that advises or encourages taxpayers to attempt to violate internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including promoting, selling, or advocating the use of false Forms 8281 and 1099-A, or other false IRS forms based on the false assertions that:
 - a. Taxpayers can draw on the Treasury of the United States to pay their tax debt or receive a refund using Forms 8281, 1099-A, or other documents;
 - b. Taxpayers can issue false Forms 1099-A and report the amount on the False Forms 109-A as income taxes withheld on their behalf; and
 - c. Taxpayers have a secret account with the Treasury Department which they can use to pay their debts or which they can draw on for refunds through a process that is commonly referred to as “redemption.”
4. Further engaging in conduct subject to penalty under Section 6701 of the Code, *i.e.*, assisting others in the preparation of any tax forms or other documents to be filed with the IRS that the defendant knows, if so filed, will result in the understatement of income tax liability; and
5. Further engaging in any conduct which interferes with the administration and enforcement of internal revenue laws;

F. That this Court, pursuant to 26 U.S.C. §§ 7402, 7407, and 7408, enter an injunction requiring Charese Johnson to contact all persons for whom she has prepared federal income tax returns from January 1, 2011 to the present and inform those persons of the entry of the Court's findings concerning the falsity of the defendant's representations, the falsity of the defendant's representations, the falsity of the tax returns prepared on their behalf, the possibility of the imposition of a frivolous filing penalty against them, the possibility that the United States may seek to collect any additional federal income taxes which they may owe, and the entry of a permanent injunction against the defendant.

Dated November 4, 2015

Respectfully submitted,

CAROLINE D. CIRAOLO
Acting Assistant Attorney General, Tax
Division

/s/ Ryan O. McMonagle
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