

**IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF FLORIDA  
Case No.**

UNITED STATES OF AMERICA,	)
	)
Plaintiff,	)
	)
v.	)
	)
RICHARD LOUIS, individually and d/b/a	)
TAXMAN, TEDDY DAVIS,	)
JAMES MERRILL,	)
DANIEL OUKU, DEMETRIUS KNOWLES,	)
HAROLD BORNELUS, JOSEPH GARRETT,	)
MARLYNE WAH, and ROMEO DAVIS,	)
	)
Defendants.	)
_____	)

**COMPLAINT FOR PERMANENT INJUNCTION**

1. The United States of America brings this action to permanently enjoin Richard Louis, Taxman, sometimes referred to as Tax Man Financial or Tax Man, Inc. (“Taxman”), Teddy Davis, James Merrill, Daniel Ouko, Demetrius Knowles, Harold Bornelus, Joseph Garrett, Marlyne Wah, and Romeo Davis (collectively, the “Defendants”) and anyone acting in concert with them from:

a. 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 themselves;

b. Owning, profiting from, managing, controlling, assisting, working at, or volunteering for a business or entity that prepares or assists in the preparation of 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 themselves;

c. Transferring, selling, or assigning their customer lists and/or other customer information;

d. Engaging in any other activity subject to penalty under 26 U.S.C. §§ 6694, 6695, and 6701; and

e. Engaging in any conduct that substantially interferes with the proper administration and enforcement of the Internal Revenue Code.

2. This action also seeks an order, under 26 U.S.C § 7402(a), requiring Defendants to disgorge to the United States the gross receipts they received for the preparation of federal tax returns making false or fraudulent claims.

### **JURISDICTION AND VENUE**

3. This action is authorized and requested by a delegate of the Secretary of the Treasury, and is commenced at the direction of the Attorney General of the United States in accordance with 26 U.S.C § 7401.

4. This Court has jurisdiction under 26 U.S.C. §§ 7402(a), 7408(a) and 28 U.S.C. §§ 1340 and 1345.

5. Venue is proper in this Court because Louis's principal place of business is within this judicial district and Louis resides within the district. 26 U.S.C. §§ 7407(a) and 7408(a); 28 U.S.C. § 1391. Further, venue is proper under 28 U.S.C. § 1391(b)(2) because a substantial part of the events giving rise to the claim occurred in this judicial district through Defendants personally, or acting through Defendant Taxman, namely, filing returns making false or fraudulent claims, in this district.

## **DEFENDANTS**

### **Richard Louis individually and d/b/a Taxman**

6. Richard Louis is a paid “tax return preparer” as defined by 26 U.S.C. § 7701 who has been preparing returns for customers either individually, or through his solely owned unincorporated entity Taxman, since approximately 2014. He resides and primarily operates a tax return preparation business in Fort Lauderdale, FL.

7. Louis holds no tax-related certifications or degrees. In addition to his tax preparation business, he runs Felix Hobby Shop in Lauderdale Lakes, FL.

8. In 2017 Louis was assessed penalties for failing to comply with due diligence requirements of 26 U.S.C. § 6695(g).

9. Taxman is Louis’ unincorporated sole-proprietorship based on Fort Lauderdale, FL. It is sometimes referred to as Tax Man Financial or Tax Man, Inc. Because Taxman is an unincorporated entity, there is no legal distinction between the owner and the business entity. Despite not being incorporated, Taxman is permitted to employ others, as long as Louis complies with all applicable employment laws, including withholding of federal income and employment taxes from paychecks paid to employees, and issuing Form 1099s to independent contractors.

10. Before preparing tax returns full time, Louis worked as a teacher from 1997 to approximately 2015. Louis took courses at Florida Atlantic University and Broward Community College in the early 2000s that pertained to federal taxes. As late as 2014 or 2015 Louis also took some continuing education courses concerning federal taxes.

11. On January 11, 2011, Louis obtained a Personal Tax Identification Number (“PTIN”) (XX3599) from the IRS. A PTIN is an identification number the IRS issues to return preparers that they must use to identify themselves on returns they prepare for compensation. A

preparer's failure to identify herself on returns she prepares for others is subject to penalty under 26 U.S.C. § 6695(c).

12. On January 30, 2018, Louis obtained an Electronic Filing Information Number ("EFIN") (XX7788). An EFIN is an identification number the IRS issues to return preparers who have completed an e-file application and passed a suitability check. The EFIN is used to electronically file returns for customers.

13. Louis, along with other preparers he works with, use Tax Products Group (TPG) through Santa Barbara to prepare tax returns. To use that program, Louis and his collaborators have to pass a course annually covering topics including ethical representation of taxpayers, verifying taxpayer information to avoid fraud, and handling taxpayers' refunds.

#### **Other Tax Preparers**

14. Teddy Davis is a paid "tax return preparer" as defined by 26 U.S.C. § 7701 and works with Taxman. Davis prepares tax returns in concert with Louis. On March 21, 2016, Davis obtained a PTIN (XX2806). The PTIN appears to be registered to Taxman, rather than in Teddy Davis' name.

15. James Merrill is a paid "tax return preparer" as defined by 26 U.S.C. § 7701 and works with Taxman preparing tax returns in concert with Louis.

16. Daniel Ouku is a paid "tax return preparer" as defined by 26 U.S.C. § 7701 and works with Taxman preparing tax returns in concert with Louis. On January 23, 2017, Ouku obtained a PTIN (XX2064).

17. Demetrius Knowles is a paid "tax return preparer" as defined by 26 U.S.C. § 7701 and works with Taxman preparing tax returns in concert with Louis. On January 10, 2019, Knowles obtained a PTIN (XX1641).

18. Harold Bornelus is a paid “tax return preparer” as defined by 26 U.S.C. § 7701 and works with Taxman preparing tax returns in concert with Louis. On January 13, 2020, Bornelus obtained a PTIN (XX8524).

19. Joseph Garrett is a paid “tax return preparer” as defined by 26 U.S.C. § 7701 and works with Taxman preparing tax returns in concert with Louis. On January 18, 2018, Garrett obtained a PTIN (XX5439).

20. Marlyne Wah is a paid “tax return preparer” as defined by 26 U.S.C. § 7701 and works with Taxman preparing tax returns in concert with Louis. On September 14, 2016, Wah obtained a PTIN (XX1470). Her PTIN has since expired.

21. Romeo Davis is a paid “tax return preparer” as defined by 26 U.S.C. § 7701 and works with Taxman preparing tax returns in concert with Louis. On January 4, 2018, Davis obtained a PTIN (XX3049).

### **DEFENDANTS’ ACTIVITIES**

22. Either individually or through Taxman, Defendants have prepared thousands of individual federal income tax returns (Form 1040) for customers since approximately 2015. In 2022 alone (for tax year 2021), 1,724 individual tax returns were prepared for customers by Defendants through Taxman. Louis was personally responsible for at least 854 of the returns. Louis charges between \$90 and \$250 per return, depending on its complexity.

23. On information and belief the other Defendants charge rates similar to Louis to prepare tax federal income tax returns.

24. Defendants prepare returns that understate the tax their customers actually owe and/or overstate the refund to which they are entitled. Defendants do so through a variety of schemes, including: (1) falsifying Residential Energy Credits; (2) falsifying and overstating

Schedule C business deductions; (3) falsifying and overstating Schedule A itemized deductions; (4) knowingly preparing tax returns for customers with the wrong filing status; (5) falsifying and overstating other tax credits. They also fail to properly identify the return preparer.

25. Defendants have a history of ignoring, or recklessly disregarding, tax preparation requirements.

### **Fraudulent Residential Energy Credit**

26. The Internal Revenue Code provides a non-refundable tax credit to taxpayers who make certain energy efficient improvements to their home (the “Residential Energy Credit”). The Residential Energy Credit is reported on a Form 5695 attached to a taxpayer’s income tax return.

27. Taxpayers can receive the Residential Energy Credit through purchasing qualified solar equipment for their home. If a taxpayer makes such a purchase, they can reduce their taxable income by a percentage of the equipment costs. To claim such costs, a taxpayer must produce evidence that they actually incurred the costs, and preparers are obligated to inquire about those costs before claiming them on returns.

28. In 2021, approximately 1.78% of Forms 1040 filed in Florida claimed Residential Energy Credits. In 2022, that number rose to 2.13%.

29. Defendants understated their customers’ tax liabilities by fabricating purchases for qualifying solar equipment. In most cases, Defendants, led by Louis, did not discuss the Residential Energy Credit with their clients. Essentially, Defendants fraudulently claimed credits on returns without asking basic questions like did the taxpayer buy solar or equipment, or does the taxpayer live in a home where solar equipment could be installed.

30. In 2022, over 43% of the tax returns Louis personally prepared, and submitted using his own PTIN, claimed Residential Energy Solar Credit qualified solar electric property costs. There was no legal or factual basis to claim virtually any of such costs.

31. The other defendants also prepared Forms 1040 that claimed Residential Energy Credits at rates magnitudes greater than the average Floridian in 2022 of **2.13%**, as reflected in the chart below:

<b>Defendant</b>	<b>Percentage of Returns Prepared Claiming the Residential Energy Credit</b>
Teddy Davis	35%
Daniel Ouku	45.64%
Demetrius Knowles	67.04%
Harold Bornelus	51.32%
Joseph Garrett	70%
Marlyne Wah	78.26%
Romeo Davis	28.74%

32. Representative examples of this fraudulent scheme include:

- a. Customer 1 had to amend her 2020 and 2021 tax returns to remove the Residential Energy Credit Louis fraudulently claimed. She was not eligible in either year because solar panels were not installed on her primary residence.
- b. Customer 2 had to amend her 2021 tax return to remove the Residential Energy Credit Louis fraudulently claimed as she did not install any solar equipment on her primary residence.
- c. For Customers 3–7 Louis included a Residential Energy Credit on their 2020 and 2021 tax returns even though they made no improvements to their homes during those years, nor did Louis even ask them if they did.

### **Fraudulent Schedule C Deductions**

33. Individual taxpayers who operate a business as a sole proprietorship must report the 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").

34. The Schedule C is a detailed schedule, requiring the tax preparer to inquire whether a taxpayer had a business, what their income was, and what expenses they incurred (such as rent, travel, utilities, wages, office expenses, and professional services). As a matter of course, tax preparers routinely discuss this detailed schedule with appropriate taxpayers to ensure the information is accurate.

35. Louis and Taxman rarely discuss the specifics of this schedule with their clients. Instead, Louis and Taxman understate their customers' AGI by fabricating or inflating expenses, and therefore overstating losses claimed on a Schedule C filed with returns. This fraudulently reduces the amount of taxable income the customers report and thus the amount of tax that they report they owe. The reduction in tax also leads to bogus refund claims in some cases.

36. For example, Customers 3 and 8 had side businesses from which they earned a small amount of extra income. For both customers, Louis wildly inflated the expenses of the businesses on their respective Schedules Cs for the years 2020 and 2021, fabricating losses on each customer's tax return and fraudulently inflating their claimed refund.

37. Expanding their Schedule C-based scams, Defendants will sometimes include a Schedule C showing losses on returns for customers they know do not own or operate a business.



This fraudulently reduces the amount of taxable income the customers report and thus the amount of tax that they report they owe. The reduction in tax also leads to bogus refund claims.

38. To illustrate, Customers 4, 5, 7, and 9–11 neither own businesses nor told Louis that they did. Further, there is no evidence that Louis ever even asked. Despite these facts, Louis and Taxman prepared tax returns for these customers for tax years 2020 and 2021 that included a Schedule C. These customers did not provide the information included on the Schedule C and did not know that Louis and Taxman claimed a business loss on their return. Without any supporting information, Louis and Taxman invented a business to fraudulently claim reduced tax liabilities or inflated refunds.

#### **Fraudulent Schedule A Deductions**

39. Another scheme Louis and Taxman use to understate their customers' tax liabilities is to overstate or fabricate deductions claimed on Schedule A, Itemized Deductions, filed with the income tax return. Taxpayers use Schedule A to itemize deductions if the deductions exceed the standard deduction. This form includes claims for deductions for medical expenses, state and local taxes paid, interest paid, gifts to charity and theft losses.

40. Louis and Taxman have several methods of abusing Schedule A to claim fraudulent itemized deductions.

41. For some customers, Louis and Taxman fabricated or inflated charitable contributions made by the customers that Louis and Taxman then included on their Schedule A, Itemized Deductions, and therefore fraudulently reduced the amount of taxes owed by the customers or increased the customers' refunds.

42. Representative examples include:

- a. Customer 12 had to file amended tax returns for 2020 and 2021 because, among other things, Louis falsely included deductions for charitable contributions of \$12,334 in 2020 and \$14,334. These amounts were fabricated and did not reflect any information provided by the customer.
- b. Customer 3's 2021 tax return included an itemized deduction for \$8,903 in charitable donations despite Customer 3 explicitly telling Louis that she donated approximately \$200-\$300 to her church that year.
- c. Customer 11's 2020 and 2021 tax returns each contained itemized deduction claims for charitable contributions exceeding \$5,000. However, Customer 11 did not provide those amounts to Louis. The claimed charitable donations were included without his knowledge as Louis did not review the return with Customer 11 before it was filed.
- d. Louis overstated the itemized deductions for the charitable contributions of Customer 5 by including a \$11,648 deduction in 2020 and a \$8,903 deduction in 2021. However, Customer 5 told Louis they donated approximately \$200 in cash per month and, at most, an additional \$200 in goods per year.
- e. Louis prepared Customer 6's 2021 tax return and included an itemized deduction for charitable contributions of \$5,122. Customer 6 did not provide that amount to Louis. In fact, Customer 6 did not provide any amount or receipts of charitable donations to Louis.

43. Louis and Taxman also fabricated or inflated out-of-pocket medical expenses paid by their customers and included on the customers' Schedules A, Itemized Deductions. These

fraudulent itemized deductions reduced the taxes owed by the customers or increased the customers' refunds.

44. Representative examples include:

- a. Louis reported an itemized deduction for \$12,982 in medical expenses on Customer 3's 2021 tax return, but Customer 3 had told him she only had approximately \$1,500 in out-of-pocket medical expenses that year. This tenfold increase in reported expenses wildly and falsely reduced her liability.
- b. Louis included thousands of dollars in medical expenses as itemized deductions on Customer 11's 2020 and 2021 tax returns even though Customer 11 never provided evidence of any medical expenses to Louis.

45. Another scheme used by Louis and Taxman was to inflate the real estate taxes paid by their customers to their local and state governments. Inflating this itemized deduction fraudulently reduced the taxes owed by the customers or increased the customers' refunds.

46. Representative examples include

- a. On Customer 12's 2021 tax return, Louis reported \$8,109 in real estate taxes. In fact, Customer 12 only paid \$4,643.75 in taxes and this was reflected in the tax statement provided to Louis. The amount Louis reported on Customer 12's 2020 tax return was similarly wrongly inflated.
- b. Louis included itemized deductions for real estate taxes worth thousands of dollars on Customer 11's 2020 and 2021 tax returns even though Customer 11 never provided those amounts to him.

47. Louis and Taxman also fraudulently fabricated or inflated the mortgage interest paid by customers and reported on the customers' Schedule A, Itemized Deductions. Fraudulently

fabricating or inflating the mortgage interest paid reduced the taxes owed by the customers or increased the customers' refunds.

48. As an example, Customer 1 had to amend her 2020 and 2021 tax returns to reduce the itemized deduction Louis initially claimed for mortgage interest paid. Louis included her mortgage interest twice on each return. Doubling her mortgage interest deduction overstated her itemized deductions by \$8,168 in 2020 and \$10,438 in 2021.

#### **Incorrect Filing Statuses / Manipulation of Head of Household Status**

49. Further falsely inflating claimed refunds, Louis knowingly falsifies filing statuses of married customers. Despite knowing customers are married, or not bothering to check, Louis claimed that several married couples were actually single or filed as head of household.

50. Filing two returns, one as head of household filing status and one as single, offers more generous tax brackets and deductions than married taxpayers are entitled to. However, both statuses require that the taxpayers are unmarried.

51. As a long-time return preparer, Louis is well aware that the head of household filing status is a generous filing status. The status is meant to assist unmarried parents and/or caregivers who provide more than half the cost of keeping up a household for a qualifying person. Such a person could be a child, or other dependent that meets certain criteria. Tax preparers, like Louis and all the Defendants, are required to perform due diligence prior to claiming head of household status. *See* 26 U.S.C. § 6695(g), 26 C.F.R. § 1.6695-2.

52. Louis exploited the advantages in claiming different filing statuses to manipulate claimed income and deductions to falsely claim deductions that his customers would otherwise not be eligible to receive. For example:

- a. For tax years 2020 and 2021 Louis falsely claimed that Customer 8 was single, among other false claims, to reduce the customer's tax liabilities. Louis then falsely filed a separate return for Customer 8's wife to claim head of household status. As a married couple, they are not eligible for such a combination. Customer 8 advises that Louis knew he was married, and both he and his wife go to Louis to have returns prepared. By filing two false returns in this way, Louis caused a greater cumulative refund to be issued.
- b. Similarly, Louis should have known that Customer 9 was married, as Customer 9 provided Louis with his wife's information and pointed out they lived at the same address. According to Customer 9, for tax years 2020 and 2021 Louis replied that he was going to file his wife's return separately as head of household because they had a daughter.

#### **American Opportunity Tax Credit**

53. The American Opportunity Tax Credit ("AOTC")—formerly the Hope Scholarship Credit—is a credit for qualified education expenses of eligible students for the first four years of higher education. The AOTC reduces the amount of tax reported by the taxpayer on a dollar-for-dollar basis up to \$2,500. Up to \$1,000 of that is refundable to the taxpayer if the amount of the credit exceeds the tax shown due. The educational institution provides the taxpayer and the IRS with a Form 1098-T that reports the qualified expenses.

54. Louis prepared Forms 8863 "Education Credits" that he attached to tax returns he prepared for his customers, even though those customers did not qualify for the credits that Louis claimed for them.

55. For example, Louis included the AOTC on Customer 13's 2021 tax return even though Customer 13 did not attend school in 2021. Customer 13 did not discuss education expenses with Louis or provide him with a Form 1098-T.

### **Ghost Preparation**

56. Defendants' tax preparation schemes extend far beyond the mere content of the returns. Their fraudulent activities extend to misrepresenting who exactly prepared returns.

57. Section 6109 of the Internal Revenue Code requires return preparers to identify themselves on the returns they prepare for customers by including their PTIN on the return. Return preparers that do not identify themselves on returns they prepare for customers are subject to a penalty under 26 U.S.C. §§ 6695(b), (c). The IRS refers to return preparers that do not identify themselves on returns they prepare as "ghost preparers."

58. Defendants sometimes operate as ghost preparers because they do not identify themselves as the return preparer, and instead list another as the person who prepared the tax returns or list no one at all, giving the impression the return is self-prepared by the taxpayer.

59. A court can enjoin a return preparer who continually engages in conduct subject to penalty under § 6695 from preparing returns for others. See 26 U.S.C. § 7407. Because Defendants operate as ghost preparers, it is extremely difficult for the IRS to identify and detect some of their illicit tax preparation activities. Once detected, it is difficult to quantify exactly how many tax returns the Defendants prepared and filed for their customers.

### **HARM CAUSED BY DEFENDANTS' ACTIONS**

60. Defendants' pattern of preparing returns that understate their customers' taxes and/or overstate their refunds through the schemes described above has resulted in the loss of significant federal tax revenue. Defendants' manipulation of their customers' income and deductions, and other fraudulent practices, cause the United States to issue refunds that Defendants' customers are not entitled to receive. Based on the returns it has examined, the IRS estimates that the United States has lost millions of dollars in tax revenue from Defendants' actions. Given the complexity of Defendants' schemes and their failure to consistently identify themselves as the preparers of returns, it is difficult to estimate the full loss caused to the United States.

61. In addition to lost tax revenue, the United States has to bear the substantial cost of examining returns Defendants prepare and collecting the understated liabilities from their customers.

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

63. Defendants' actions also undermine confidence in the federal income tax system. Defendants' customers trust—and pay—they to prepare honest returns. Defendants betray that trust and harm their customers, who must foot the bill for the deficiencies and, potentially, interest and penalties resulting from Defendants' conduct.

64. Defendants' activities also encourage noncompliance with the internal revenue laws by failing to confirm with their customers that their returns honestly and accurately reflect the information they provided.

65. Finally, Defendants' actions undermine Congress' intent in implementing many aspects of the internal revenue code that rewards taxpayers for engaging in certain behaviors. Congress chose to reduce tax liabilities for those who invest in solar technologies, open new businesses, invest in qualified education, or should be treated differently for tax purposes based on their marital status. By lying about their clients' situations, Defendants defraud the United States Treasury, and override Congress' directives in incentivizing certain actions.

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

66. The United States incorporates by reference the allegations in paragraphs 1 through 65.

67. 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 the following:

68. 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 due to an unreasonable position (as defined by § 6694(a)(2)) which the preparer knew or should have known was unreasonable;

69. 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 due to willful or reckless conduct;



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

71. In order for a court to issue such an injunction, the court must find (1) that the preparer engaged in the prohibited conduct defined in paragraphs 68 and 69 above, and (2) that injunctive relief is appropriate to prevent the recurrence of the conduct.

72. If a tax return preparer's conduct is continual or repeated and the court finds that a narrower injunction would not be sufficient 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).

73. The defendants continually and repeatedly engage in conduct subject to penalty under 26 U.S.C. § 6694 by preparing returns that overstate the customers' refunds based upon unreasonable and reckless positions. As described in the complaint, the defendants prepare returns that claim credits to which their customers are not entitled. They do so with the knowledge that the positions taken on the returns are unreasonable and lack substantial authority. The defendants thus engage in conduct subject to penalty under 26 U.S.C. § 6694(a).

74. A narrower injunction would be insufficient to prevent Defendants' interference with the administration of the internal revenue laws. Defendants prepare returns understating their customers' liabilities through multiple schemes that report false information on their customers' tax returns. In addition, the IRS may not yet have identified all of the schemes used by Defendants to understate liabilities, and overstate refunds and credits. Denial of a permanent injunction against Defendants will require the IRS to spend additional resources to uncover all of their future schemes. The harm resulting from these schemes includes both the expenditure of these resources and the revenue loss caused by the improper deductions and credits Defendants claim on returns

they prepare. Accordingly, only a permanent injunction is sufficient to prevent future harm caused by Defendants acting as tax return preparers.

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

75. The United States incorporates by reference the allegations contained in paragraphs 1 through 65.

76. Section 7408 of the Internal Revenue Code authorizes a 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.

77. Defendants repeatedly and continually have engaged in conduct subject to penalty under 26 U.S.C. § 6701 by preparing income tax returns with claims of withholdings that they knew to be improper, false, and/or inflated.

78. Defendants' repeated actions fall within 26 U.S.C. § 7408, and injunctive relief is appropriate to prevent a recurrence of this conduct.

79. If Defendants continue to act as tax return preparers, their conduct will result in irreparable harm to the United States and the United States has no adequate remedy at law.

80. Defendants' conduct has caused, and will continue to cause, substantial tax losses to the United States Treasury, much of which may be undiscovered and unrecoverable. The IRS will have to devote substantial and unrecoverable time and resources auditing their customers individually to detect understated liabilities and overstated refund claims, unless the Court enjoins Defendants' activities.

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

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

82. The United States incorporates by reference the allegations contained in paragraphs 1 through 65.

83. 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.

84. Defendants repeatedly and continually engage in conduct that interferes substantially with the administration and enforcement of the internal revenue laws.

85. If Defendants continue to act as a tax return preparers, their conduct will result in irreparable harm to the United States and the United States has no adequate remedy at law.

86. Defendants' conduct has caused, and will continue to cause, substantial tax losses to the United States Treasury, much of which may be undiscovered and unrecoverable. The IRS will have to devote substantial and unrecoverable time and resources auditing their customers individually to detect understated liabilities and overstated refund claims, unless the Court enjoins Defendants' activities.

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

88. The threatened injury to the United States far outweighs the harm to Defendants if this injunction is granted.

89. The public interest is served by granting this requested injunction, for the reasons set forth in paragraphs 60-65.

**COUNT IV – DISGORGEMENT UNDER 26 U.S.C. § 7402(a)**

90. The United States incorporates by reference the allegations of paragraphs 1 through 65.

91. Section 7402(a) 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.

92. Defendants' conduct substantially interferes with the enforcement of the internal revenue laws and causes the United States to issue tax refunds to individuals not entitled to receive them. But for Defendants' conduct, the United States would not have issued these bogus refunds.

93. Defendants have unjustly profited from their misconduct at the expense of the United States. They subtracted fees from their customers' bogus refund claims.

94. Defendants are not entitled to these ill-gotten gains. Using its broad authority under Section 7402(a), the Court should enter an order requiring Defendants to disgorge to the United States the receipts (in the form of fees paid and those subtracted from customers' tax refunds) they received for the preparation for federal tax returns that make grossly incompetent, negligent, reckless, and or fraudulent claims.

### **RELIEF REQUESTED**

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

A. That the Court find that Defendants have repeatedly and continually engaged in conduct subject to penalty under 26 U.S.C. §§ 6694, 6695, and 6701, and that injunctive relief is appropriate under 26 U.S.C. §§ 7407 and 7408 to prevent recurrence of that conduct;

B. That the Court find that Defendants have 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;

C. That the Court enter a permanent injunction prohibiting Defendants and any other person working in concert or participation with them 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 or forms, including any electronically submitted tax returns or tax-related documents, for any entity or person other than themselves;
2. Owning, profiting from, managing, controlling, assisting, working at, or volunteering for any business or entity engaged in tax return preparation;
3. Transferring, selling, or assigning their customer lists and/or other customer information;
4. Engaging in activity subject to penalty under 26 U.S.C. §§ 6694, 6695 and 6701; and
5. Engaging in conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

- D. That the Court enter an injunction requiring Defendants, at their own expense, to:
- i. To send by certified mail, return receipt requested, a copy of the final injunction entered against Defendants in this action, as well as a copy of the Complaint setting forth the allegations as to how Defendants fraudulently prepared federal tax returns, to each person for whom Defendants prepared federal tax returns or any other federal tax forms after January 1, 2019, within 30 days of entry of the final injunction in this action;

- ii. To turn over to the United States copies of all returns and claims for refund that Defendants prepared after January 1, 2019;
- iii. To provide the United States a list of the names, Social Security numbers, addresses, phone numbers, and email addresses of each person for whom Defendants prepared tax returns, other tax forms, or claims for refund after January 1, 2019, within 30 days of entry of the final injunction in this action;
- iv. To prominently post: a copy of the injunction, a statement that they have been enjoined from the preparation of tax returns and a hyperlink to any press release regarding the injunction that the Department of Justice may issue, on Defendants' social media accounts and websites used to advertise their tax preparation services, if any, and in Defendants' places of business where they prepared tax returns over the past 4 years, within 10 days of entry of the final injunction in this action;
- v. To deliver a copy of the injunction to any employees, contractors and vendors of Defendants, if any, within 30 days of entry of the final injunction in this action;
- vi. To file a sworn statement with the Court evidencing Defendants' compliance with the foregoing directives within 45 days of entry of the final injunction in this action; and
- vii. To keep records of Defendants' compliance with the foregoing directives, which may be produced to the Court, if requested, or the United States pursuant to paragraph E, below;

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

F. Order, without further proceedings, the immediate revocation of any and all PTINs and EFINs held by, assigned to, or used by Defendants issued under 26 U.S.C. § 6109;

G. Enter an order, pursuant to 26 U.S.C. § 7402(a), requiring Defendants to disgorge to the United States the gross receipts (the amount of which is to be determined by the Court) that Defendants received (in the form of fees subtracted from customers' tax refunds or paid out of pocket) for the preparation of tax returns that make or report false or fraudulent claims, deductions, credits, income, expenses, or other information that results in the understatement of taxes;

H. Retain jurisdiction over Defendants and this action to enforce any permanent injunction entered;

I. Order that Defendants' failure to comply with the injunction may result in sanctions of civil and/or criminal contempt, including but not limited to:

- 1) Disgorgement of fees for returns prepared in violation of the injunction;
- 2) Reimbursement to the United States of all costs associated with enforcing the injunction;
- 3) Seizure of items with returns are being prepared, including computers;
- 4) Daily fines during non-compliance;
- 5) Barring access to the locations at which returns are being prepared in violation of the injunction, including permitting the United States to change the locks at any location at

which returns are prepared in violation of the injunction to prevent employees and customers from entering the location; and

6) Appointment of a receiver to take possession of any business at which Defendants prepare returns in violation of this injunction and the assets of said business and to sell the business and its assets to pay any civil compensatory sanctions imposed on Defendants; and

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

Dated: April 25, 2023

Respectfully submitted,

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