

IN THE UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF CALIFORNIA

1 UNITED STATES OF AMERICA, )  
2 )  
3 Plaintiff, )  
4 )  
5 v. )

Case No. 15-cv-1414-DMS-BGS

6 GREGORY A. GOODRICH, individually )  
and d/b/a WEST COAST )  
7 RAINGUTTERS; WEST COAST )  
RAINGUTTERS, INC.; and W.C. )  
8 RAINGUTTERS, INC., )  
9 Defendants. )

10  
11 **ORDER GRANTING THE JOINT MOTION FOR ENTRY OF ORDER**  
**REDUCING ASSESSMENTS AGAINST DEFENDANT GREGORY**  
**GOODRICH TO JUDGMENT;**  
12 **GRANTING A PERMANENT INJUNCTION;**  
**IMPOSING ADDITIONAL REPORTING REQUIREMENTS; AND**  
13 **GRANTING JUDGMENT AGAINST THE CORPORATE DEFENDANTS**

14 Upon consideration of the United States’ Joint Motion for Entry of Order  
15 Reducing Assessments to Judgment, Entering Permanent Injunction, and Imposing  
16 Related Terms; the United States’ separate Motion for Summary Judgment Against  
17 Defendant Gregory Goodrich and for Summary or Default Judgment Against  
18 Defendants West Coast Raingutters, Inc., and W.C. Raingutters, Inc. (Dkt. 46); the  
19 matters discussed at the December 16, 2016, hearing; and the parties’ other  
20 submissions in this case, the Court hereby GRANTS the joint motion.

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In light of that motion, the Court awards the United States following relief.

**FIRST CLAIM FOR RELIEF**

*Permanent Injunction*

In connection with the United States’ First Claim for Relief in the First Amended Complaint (Dkt. 3), which sought a permanent injunction, the Court FINDS that:

- 1) Mr. Goodrich is in the business of installing and servicing rain gutters. He has operated as a sole proprietorship, and through two corporations: West Coast Raingutters, Inc., and W.C. Raingutters, Inc. The businesses’ employees have included Mr. Goodrich and his wife.
- 2) Employers like the defendant corporations are obligated to withhold federal income taxes from their employees’ pay, along with the employees’ share of Federal Insurance Contributions Act (“FICA”) taxes. Employers must transmit those withholdings to the United States by periodically depositing them with an authorized financial institution. *See* 26 U.S.C. §§ 3102, 3402, 6302. Employers hold the funds in trust until depositing them, meaning that business owners may not dip into the money for other expenses, business-related or otherwise. *See* 26 U.S.C.

1 §§ 3102(b), 3403, 7501(a). Employers who fail to collect, truthfully  
2 account for, and pay over such taxes are liable for trust fund recovery  
3 penalties, under 26 U.S.C. § 6672 and related regulations. Employers  
4 must also calculate and pay their own share of FICA and Federal  
5 Unemployment (“FUTA”) taxes. 26 U.S.C. §§ 3111, 34301. Companies  
6 report their employment and FUTA tax obligations on Forms 941 and  
7 940, respectively.

8 3) The defendants have repeatedly failed to meet these obligations.  
9 According to the sworn declaration of IRS Revenue Officer Nelli  
10 Ayrapetyan, the IRS has made at least two dozen assessments against the  
11 defendant corporations for unpaid employment, unemployment, and  
12 income taxes. These assessments were based on the amounts the  
13 corporations reported. The IRS has also made assessments against Mr.  
14 Goodrich personally for trust fund recovery penalties.

15 4) The United States has also shown that, sometime after Mr. Goodrich’s  
16 sole proprietorship, which had obtained a tax identification number, (*i.e.*,  
17 an Employer Identification Number (“EIN”)), incurred substantial tax  
18 debts, Mr. Goodrich formed a corporation, West Coast Raingutters, Inc.,  
19 through which to conduct his pre-existing business. Mr. Goodrich  
20 obtained a new EIN for the corporation, and used it in his filings. After

1 West Coast Raingutters, Inc., itself incurred substantial tax liabilities, Mr.  
2 Goodrich briefly operated as a sole proprietorship, and then formed a  
3 second corporation, W.C. Raingutters, Inc., which carried on the business  
4 under yet another tax identification number.

5 5) Mr. Goodrich's pattern of forming new entities through which to conduct  
6 his business, and his practice of promptly withdrawing cash deposited to  
7 the account for non-tax purposes, have frustrated the IRS's efforts to  
8 collect.

9 6) Although the Court had previously issued a preliminary injunction  
10 requiring Mr. Goodrich and his business to stay current on new tax  
11 obligations, and to refrain from paying other expenses until each new tax  
12 obligation is satisfied, Mr. Goodrich and his current business continued  
13 to delay, miss, or bounce payments, and have used corporate funds to pay  
14 Mr. Goodrich and his wife salaries and for other expenses before meeting  
15 their tax obligations. Based on these showings, the Court finds that the  
16 defendants have engaged and are engaging in conduct that interferes with  
17 the enforcement of the internal revenue laws. Injunctive relief under 26  
18 U.S.C. § 7402(a) is necessary and appropriate to prevent further harm to  
19 the United States.  
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1           7) The Court also finds that injunctive relief is merited on equitable  
2           grounds. The United States has shown that 1) it has suffered irreparable  
3           injury; 2) the remedies available at law, such as monetary damages, are  
4           inadequate to compensate for that injury; 3) the balance of equities tips in  
5           the United States' favor; and 4) an injunction is in the public interest.

6           Therefore, pursuant to 26 U.S.C. § 7402(a), and the Court's inherent  
7           equitable powers, the Court issues this permanent injunction.

8           It is ORDERED that defendants Gregory A. Goodrich, West Coast  
9           Raingutters, Inc., and W.C. Raingutters, Inc., shall:

- 10                   1) timely file all federal employment tax returns, specifically returns  
11                   used to report and pay Federal Insurance Contributions Act ("FICA")  
12                   tax, Federal Unemployment Tax Act ("FUTA") tax, and federal  
13                   income tax withholding liabilities, and timely pay through federal tax  
14                   deposits the associated taxes due for all periods ending after the  
15                   injunction is issued, regardless of which entity or unincorporated sole-  
16                   proprietorship of the individual taxpayer may be operating the  
17                   particular activity at the time;
- 18                   2) timely file all income tax returns, make required estimated tax  
19                   payments as applicable for all years after the injunction is issued, and  
20                   timely pay the associated tax due;

1           3) refrain from transferring any money or property to any entity or  
2           person for the purpose of having the transferee pay the salaries or  
3           wages of any of the taxpayers' employees or independent contractors,  
4           including payments to the individual taxpayer Gregory A. Goodrich or  
5           to any of Mr. Goodrich's family members, and to refrain from  
6           directing, requesting, instructing or assisting any other person from  
7           doing so;

8           4) refrain from assigning any property or making any payments for  
9           any purpose until the employment tax liabilities accruing after the  
10          injunction is issued are first paid to the Internal Revenue Service, and  
11          to refrain from directing, requesting, instructing or assisting any other  
12          person from doing so; and

13          5) submit to the Court's ongoing jurisdiction to ensure the defendants'  
14          compliance with this injunction.

15                The United States' First Claim for Relief is therefore GRANTED. This  
16    Order contemplates that the United States may take post-judgment discovery or  
17    other appropriate action to monitor the defendants' compliance with the injunction,  
18    which will be enforceable under the Court's powers of contempt. However, in the  
19    interests of avoiding confusion, the parties have agreed that Mr. Goodrich's good-  
20    faith compliance with paragraph 1), above, will be deemed to constitute

1 compliance with paragraph 4), above. This agreement does *not* affect the separate  
2 requirements in sub-paragraph a), below, titled “Additional Terms”, which  
3 imposes stricter requirements during the period the Additional Terms are in effect,  
4 and which requires Mr. Goodrich to pay the federal employment taxes associated  
5 with any salary or wage payments *before* making the salary or wage payment.

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*Additional Terms*

In addition to the terms of the permanent injunction discussed above, Mr. Goodrich has agreed to and is ORDERED to adhere to the following additional terms designed to ensure compliance, which shall be in effect during the period described below:

a) Before Mr. Goodrich pays himself, his wife, or any other employee (whether weekly, twice a month, or on any other schedule), and before he takes any other distributions from the business, or pays personal expenses to third parties from the business, he must pay the associated federal employment taxes first—and if he cannot afford to do so, he must refrain from making the payment or allowing anyone else to do so, whether by paper check, electronic transfer, or other means; and

b) on or before the 15th and the last day of every month, *i.e.*, two times a month, Mr. Goodrich must provide the Department of Justice

1 attorney assigned to the matter (currently the undersigned counsel E.  
2 Carmen Ramirez) and the IRS Revenue Officer assigned to the matter  
3 (currently Nelli Ayrapetyan) documentation from his payroll services  
4 provider showing the amounts owed in federal employment taxes, and an  
5 account statement printed from the internet or other documentation from his  
6 business's bank or credit union account showing what tax or other payments  
7 have been made through the account; and

8 c) on or before the last day of every month, Mr. Goodrich must  
9 file a status report to the Court, on the public docket, attesting, under  
10 penalties of perjury, to the aggregate amount he has paid his employees  
11 (including his wife and himself), the amount he owes in employment taxes  
12 on that compensation, and the amount in taxes he has paid.

13 Mr. Goodrich is ORDERED to adhere to these terms for at least seven  
14 months from the date of this agreement. Within six months of the date of the  
15 parties' agreement (submitted with the joint motion) the United States is  
16 ORDERED to file a status report with the Court concerning Mr. Goodrich's  
17 compliance with these terms, and opining on whether these requirements should be  
18 lifted or modified.

19 These terms shall be subject to the Court's contempt powers, and Mr.  
20 Goodrich is advised that the United States may treat any violation as grounds for a



1 motion to show cause. The United States may take post-judgment discovery to  
2 monitor any seeming non-compliance with these terms.

3 **SECOND CLAIM FOR RELIEF**

4 *Summary Judgment*

5  
6 The United States' Second Claim for Relief sought to reduce to judgment  
7 tax assessments against defendant West Coast Raingutters, Inc. That entity has  
8 defaulted. (Dkt. 23). The United States has previously submitted IRS transcripts  
9 and a declaration from Revenue Officer Nelli Ayrapetyan to support the  
10 assessments against West Coast Raingutters, Inc., and Mr. Goodrich previously  
11 signed an agreement accepting the United States' calculations as to the amounts,  
12 (with penalties and interest running through June 30, 2016). (Dkt. 5-3  
13 (Declaration), Dkt. 5-6 (transcripts)<sup>1</sup>, Dkt. 41-1 (agreement)).

14 Summary judgment is therefore GRANTED against West Coast Raingutters,  
15 Inc., as follows:

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18 <sup>1</sup> The parties have agreed that assessments for West Coast Raingutters, Inc., for  
19 employment taxes for the period ending March 3, 2005, and for unemployment  
20 taxes for the year 2006 are supported by self-authenticating Certificates of  
Assessment, the Form 4340, issued April 13, 2016, rather than transcripts  
submitted with the motion for a preliminary injunction.

- 1           • **\$10,979.81** for quarterly employment taxes for the period ending  
2           March 31, 2005, as calculated as of April 11, 2016, net any credits,  
3           plus interest pursuant to 26 U.S.C. §§ 6621 and 6622, and plus any  
4           other statutory additions that may continue to accrue from the  
5           assessment date until the liability is paid in full;
- 6           • **\$200,415.39** for quarterly employment taxes for the periods ending  
7           March 31, 2006, through June 30, 2008, inclusive, as calculated  
8           through November 16, 2015, net any credits, plus interest pursuant to  
9           26 U.S.C. §§ 6621 and 6622, and plus any other statutory additions  
10          that may continue to accrue from that date until the liability is paid in  
11          full; and
- 12          • **\$479.74** for annual unemployment taxes for the period ending  
13          December 31, 2006, as calculated as of April 11, 2016, net any  
14          credits, plus interest pursuant to 26 U.S.C. §§ 6621 and 6622, and plus  
15          any other statutory additions that may continue to accrue from the  
16          assessment date until the liability is paid in full.

*Default Judgment*

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2 IN THE ALTERNATIVE, the Court FINDS that default judgment against  
3 West Coast Raingutters, Inc. pursuant to Fed. R. C. P. 55(b)(2) would also be  
4 appropriate.

5 In making that determination, the Court has considered the factors outlined  
6 in *Eitel v. McCool*, 782 F.2d 1470, 1471-72 (9th Cir. 1986), including: 1) the  
7 possibility of prejudice to the plaintiff; (2) the merits of the plaintiff's substantive  
8 claims; (3) the sufficiency of the complaint; (4) the sum of money at stake in the  
9 action; (5) the possibility of a dispute concerning material facts; (6) whether the  
10 default was due to excusable neglect; and (7) the strong policy favoring decisions  
11 on the merits.

12 These factors weigh in favor of the United States. West Coast Raingutters,  
13 Inc. has not appeared, and Mr. Goodrich and his counsel have not answered on its  
14 behalf. If the Court does not grant summary or default judgment against it, the  
15 United States will be prejudiced, the first factor, by virtue of having limited other  
16 means for obtaining relief. As to the second and third factors, there can be no  
17 question that the United States has stated a proper claim. The Complaint alleges  
18 that West Coast Raingutters, Inc., is indebted to the United States for federal taxes,  
19 and itemized each claimed assessment with particularity. As to the fourth factor,  
20

1 the amounts at stake are not insubstantial, but they are the result of the  
2 corporation's (and/or its principal's) willingness to let them accrue.

3 As to the fifth factor, there is little possibility of a dispute over the material  
4 facts. The corporation has not appeared, and the only person who would speak for  
5 it, Mr. Goodrich, has conceded that the amounts themselves are correct. Nor is  
6 there any suggestion that the default was due to excusable neglect, the next factor,  
7 given that Mr. Goodrich, the corporation's sole owner, and his counsel have  
8 participated in the litigation for over a year. Finally, though our system of  
9 justice favors adjudication on the merits where possible, the corporation (and Mr.  
10 Goodrich) should not be permitted to exploit that principle by accumulating  
11 substantial debts, and then refusing to answer for them.

12 Therefore IN THE ALTERNATIVE to summary judgment, a default  
13 judgment against defendant West Coast Raingutters, Inc., would be appropriate in  
14 the following amounts:

- 15 • **\$10,979.81** for quarterly employment taxes for the period ending  
16 March 31, 2005, as calculated as of April 11, 2016, net any credits,  
17 plus interest pursuant to 26 U.S.C. §§ 6621 and 6622, and plus any  
18 other statutory additions that may continue to accrue from the  
19 assessment date until the liability is paid in full;  
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1 United States' calculations as to the amounts, with penalties and interest running  
2 through June 30, 2016. (Dkt. 5-3 (Declaration), Dkt. 5-7 (transcripts), Dkt. 41-1  
3 (agreement)).

4 Summary judgment is therefore GRANTED against W. C. Raingutters, Inc.,  
5 as follows:

- 6 • **\$44,357.12** for annual income taxes for the periods ending December  
7 31, 2010 and December 31, 2011, as calculated through November 16,  
8 2015, net any credits, plus interest pursuant to 26 U.S.C. §§ 6621 and  
9 6622, and plus any other statutory additions that may continue to  
10 accrue from that date until the liability is paid in full; and
- 11 • **\$113,822.01** for quarterly employment taxes for the periods ending  
12 June 30, 2011, through December 31, 2012, inclusive, and for the  
13 periods ending June 30, 2013, through June 30, 2014, inclusive, as  
14 calculated through November 16, 2015, net any credits, plus interest  
15 pursuant to 26 U.S.C. §§ 6621 and 6622, and plus any other statutory  
16 additions that may continue to accrue from that date until the liability  
17 is paid in full.

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*Default Judgment*

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2 IN THE ALTERNATIVE, the Court FINDS that default judgment against  
3 W.C. Raingutters, Inc. pursuant to Fed. R. C. P. 55(b)(2) in the amounts listed  
4 above is also appropriate, for the same reasons as for West Coast Raingutters, Inc.

5 Therefore IN THE ALTERNATIVE to summary judgment, a default  
6 judgment against defendant W. C. Raingutters, Inc., would be appropriate in the  
7 following amounts:

- 8 • **\$44,357.12** for annual income taxes for the periods ending December  
9 31, 2010 and December 31, 2011, as calculated through November 16,  
10 2015, net any credits, plus interest pursuant to 26 U.S.C. §§ 6621 and  
11 6622, and plus any other statutory additions that may continue to  
12 accrue from that date until the liability is paid in full; and
- 13 • **\$113,822.01** for quarterly employment taxes for the periods ending  
14 June 30, 2011, through December 31, 2012, inclusive, and for the  
15 periods ending June 30, 2013, through June 30, 2014, inclusive, as  
16 calculated through November 16, 2015, net any credits, plus interest  
17 pursuant to 26 U.S.C. §§ 6621 and 6622, and plus any other statutory  
18 additions that may continue to accrue from that date until the liability  
19 is paid in full.  
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#### **FOURTH CLAIM FOR RELIEF**

The United States' Fourth Claim for Relief sought to reduce income tax assessments against defendant Gregory Goodrich to judgment. The Court FINDS that Mr. Goodrich has already agreed to liability for those claims, and the parties have submitted a signed stipulation to the Court documenting the amounts of the assessments. (Dkt. 41-1).

Judgment is therefore GRANTED against Gregory Goodrich as follows:

- **\$64,308.79** for personal income taxes for the period ending December 31, 2009, as calculated through June 30, 2016, net any credits, plus interest pursuant to 26 U.S.C. §§ 6621 and 6622, and plus any other statutory additions that may continue to accrue from that date until the liability is paid in full;

#### **FIFTH CLAIM FOR RELIEF**

The United States' Fifth Claim for Relief sought to reduce trust fund recovery penalty assessments against defendant Gregory Goodrich to judgment. The Court finds that Mr. Goodrich has already agreed to liability for those claims,



1 and the parties have submitted a signed stipulation to the Court documenting the  
2 amounts of the assessments. (Dkt. 41-1).

3 Judgment is therefore GRANTED against Gregory Goodrich as follows:

- 4 • **\$244,393.91** for trust fund recovery penalties for the quarterly periods  
5 listed below, as calculated through June 30, 2016, net any credits, plus  
6 interest pursuant to 26 U.S.C. §§ 6621 and 6622, and plus any other  
7 statutory additions that may continue to accrue from that date until the  
8 liability is paid in full. The quarterly periods included are:

Related Entity	Tax Period
West Coast Raingutters, Inc.	12/31/2003
West Coast Raingutters, Inc.	3/31/2004
West Coast Raingutters, Inc.	6/30/2004
West Coast Raingutters, Inc.	9/30/2004
West Coast Raingutters, Inc.	12/31/2004
West Coast Raingutters, Inc.	3/31/2005
West Coast Raingutters, Inc.	3/31/2006
West Coast Raingutters, Inc.	6/30/2006
West Coast Raingutters, Inc.	9/30/2006

1	West Coast Raingutters, Inc.	12/31/2006
2	West Coast Raingutters, Inc.	3/31/2007
3	West Coast Raingutters, Inc.	6/30/2007
4	West Coast Raingutters, Inc.	9/30/2007
5	West Coast Raingutters, Inc.	12/31/2007
6	West Coast Raingutters, Inc.	3/31/2008
7	West Coast Raingutters, Inc.	6/30/2008
8	W.C. Raingutters, Inc.	9/30/2011
9	W.C. Raingutters, Inc.	12/31/2011
10	W.C. Raingutters, Inc.	3/31/2012
11	W.C. Raingutters, Inc.	6/30/2012
12	W.C. Raingutters, Inc.	9/30/2012
13	W.C. Raingutters, Inc.	12/31/2012
14	W.C. Raingutters, Inc.	6/30/2013
15	W.C. Raingutters, Inc.	9/30/2013
16	W.C. Raingutters, Inc.	12/31/2013
17	W.C. Raingutters, Inc.	3/31/2014
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**SIXTH CLAIM FOR RELIEF**

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2 The United States’ Sixth Claim for Relief sought to hold defendant Gregory  
3 Goodrich personally liable for the judgments entered against the corporations. In  
4 light of the parties’ submissions on this issue, including the signed agreement  
5 accompanying the instant joint motion, the Court FINDS that defendants West  
6 Coast Raingutters, Inc., and W.C. Raingutters, Inc., are defendant Gregory  
7 Goodrich’s alter egos. The Court therefore GRANTS the United States’ Sixth  
8 Claim for Relief. Defendant Gregory A. Goodrich shall be personally liable and  
9 subject to collection for the judgments against defendants West Coast Raingutters,  
10 Inc. and W.C. Raingutters, Inc.


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13 WHEREFORE, the Clerk of Court is DIRECTED to enter the  
14 PERMANENT INJUNCTION against all defendants; to enter the ADDITIONAL  
15 TERMS against defendant Gregory Goodrich; to enter JUDGMENTS in the  
16 amounts listed above in favor of the United States and against West Coast  
17 Raingutters Inc., W.C. Raingutters, Inc., and Gregory Goodrich, respectively. It is  
18 also ORDERED that Gregory Goodrich shall be liable for the judgments entered  
19 against West Coast Raingutters, Inc. and W.C. Raingutters, Inc.  
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IT IS SO ORDERED.

Dated: January 13, 2017

  
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Hon. Dana M. Sabraw  
United States District Judge