IN THE UNITED STATES DISTRICT COURT FOR THE
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

| | | |
|---|---|---|
| UNITED STATES OF AMERICA,<br><br>Plaintiff,<br><br>v.<br><br>STEVEN M. DOLETZKY; V.J.S.D. SERVICES LLC; MICHAEL A. GARNO; MICHAEL A. BASS; AND BAD WOLF TAXES AND ACCOUNTING LLC all d/b/a LIBERTY TAX SERVICE,<br><br>Defendants. | ) | Case No. |

**COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF**

The United States brings this Complaint (Counts I-III, below) pursuant to 26 U.S.C. (the Internal Revenue Code ("I.R.C.")) §§ 7402, 7407, and 7408 to permanently enjoin Defendants Steven M. Doletzky, V.J.S.D. Services LLC ("V.J.S.D."), Michael A. Garno, Michael A. Bass, Bad Wolf Taxes and Accounting LLC ("Bad Wolf Taxes & Accounting"), and all those in active concert or participation with them, from directly or indirectly:

A. Acting as federal tax return preparers, or filing, assisting in, or directing the preparation or filing of federal tax returns, amended returns, or other related documents or forms for any person or entity other than their own personal tax returns;

B. Filing, providing forms for, or otherwise aiding or assisting in the filing of IRS Forms 1040 ("U.S. Individual Income Tax Return"), 1040X ("Amended U.S. Individual Income Tax Return"), 8867 ("Paid Preparer's Due Diligence Checklist"), 8863 ("Education Credits"), Schedule C ("Profit or Loss From

Business (Sole Proprietorships)"), or any other IRS forms containing false or fabricated information;

C. Owning, managing, controlling, working for, volunteering for, selling advice or training services to any tax return preparer or tax return preparation business;

D. Profiting from any tax return preparation business, including but not limited to profiting from the sale of any tax return preparation service or the sale of any product or service sold by a tax return preparation business;

E. Seeking permission or authorization (or helping or soliciting others to seek permission or authorization) to file tax returns with an IRS Preparer Tax Identification Number ("PTIN") and/or IRS Electronic Filing Identification Number ("EFIN"), or through any other IRS service or program by which one prepares or files tax returns;

F. Using, maintaining, renewing, obtaining, transferring, selling, or assigning any PTIN(s) or EFIN(s);

G. Representing anyone other than themselves before the IRS; and

H. Engaging in any other conduct that is subject to penalty under the Internal Revenue Code or that interferes with the proper administration and enforcement of the internal revenue laws.

The United States also seeks, under I.R.C. § 7402 in Count IV of this Complaint, an order requiring all Defendants to disgorge to the United States the proceeds that they and their businesses received from the preparation of federal tax returns that make false or fraudulent claims.

## Jurisdiction and Venue

1. Jurisdiction is conferred on this Court by 28 U.S.C §§ 1340 and 1345, and 26 U.S.C. § 7402.

2. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) and 26 U.S.C. §§ 7407(a) and 7408(a) because a substantial portion of the events giving rise to this action occurred within this judicial district, and all Defendants conducted business in this judicial district. Moreover, Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass reside in this judicial district.

## Authorization

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

## Defendants

4. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have owned or controlled over a dozen Liberty Tax Service tax preparation store locations in Florida. Liberty Tax Service is a brand of tax preparation stores with locations throughout the United States, most of which are operated under a franchise system by the franchisor Liberty Tax, Inc. ("Liberty Tax Corporate").

5. Steven M. Doletzky is a resident of Belleair, Florida and is named as a Defendant for all counts in this Complaint. Since at least 2008 to 2017, Doletzky owned, partially owned, and/or operated Liberty Tax Service tax preparation stores, including through a currently inactive Florida limited liability corporation – Tax Professionals Largo, L.L.C. ("Tax Professionals"). Doletzky is the sole officer listed in Tax Professionals' corporate filings with the State of

Florida, and he controlled Tax Professionals' business activities. Prior to 2008, Doletzky had ownership interests in Liberty Tax Service stores located in Michigan.

6. V.J.S.D. is currently an inactive Florida corporation, but was an active Florida corporation during 2017 and maintains an active IRS Electronic Filing Identification Number ("EFIN") for filing federal tax returns and tax forms. In 2014, Doletzky and the manager for Doletzky's 4th Street North St. Petersburg Liberty Tax Service location established V.J.S.D. to operate the 4th Street North Liberty Tax Service store instead of Tax Professionals. From 2014 into 2017, Doletzky co-owned V.J.S.D. and was an officer listed in corporate filings for V.J.S.D. V.J.S.D. is named as a Defendant as to all counts in this Complaint.

7. From 2009 to 2014, Doletzky was an Area Developer for the Tampa/St. Petersburg area for Liberty Tax Corporate. According to Liberty Tax Corporate, Area Developers such as Doletzky have responsibility for selling Liberty Tax Service franchises, as well as serving as a "mentor and coach" responsible for "assist[ing]" other owners of Liberty Tax Service franchises within defined geographic areas with "all facets of [their] business, including office site selection and operational guidance, including marketing, training, and staffing." Doletzky was an Area Developer for Liberty Tax Service stores owned or controlled by Defendants Michael A. Garno and Michael A. Bass, either as sole proprietorships or through corporations.

8. Steven M. Doletzky's involvement in tax preparation extends beyond Florida and Michigan. During 2012 and 2013, Doletzky conducted training sessions for Liberty Tax Service franchisees throughout the United States called "Fanatic University." Liberty Tax Corporate partially funded "Fanatic University" and approved written materials used at the training sessions.

9. Although Steven M. Doletzky is no longer an Area Developer or Fanatic University trainer for Liberty Tax Corporate, he continues to market himself as the "Fanatic U Founder" and a tax return preparer-trainer, including through an online webinar held on January 3, 2018. Among his claims for the January 3, 2018 webinar, Doletzky promised to "share his secrets" with participants and provide information about "how to have the most profitable tax season ever." The webinar's registration page also included an endorsement from the current Chairman of the Board of Liberty Tax Corporate, John Hewitt, "highly recommend[ing]" Doletzky's training session. Although Doletzky advertised the January 2018 webinar as free, he also sells training products to tax return preparers, including to current Liberty Tax Service franchisees.

10. In addition to the preparation of federal tax returns, Steven M. Doletzky has marketed the sale of other products and services to customers at tax return preparation stores. Since 2014, Doletzky has been Chief Executive Officer of Unified Partners, an insurance business that was once a wholly-owned subsidiary of Liberty Tax Corporate. Doletzky and Liberty Tax Corporate established Unified Partners to focus on the sale of health insurance at Liberty Tax Service stores following passage of the Affordable Care Act. Among his efforts to market Unified Partners' insurance products, Doletzky has emphasized his experience as a Liberty Tax Service franchisee and publically claimed that "no one knows the tax industry, and what you would call the retail tax business, and how to combine that with the insurance industry like I do" and that with Liberty Tax Service, "we have been helping individuals inside Liberty Tax stores for nearly a decade."

11. As of 2015, Doletzky operated or otherwise controlled through Tax Professionals at least five Liberty Tax Service stores in St. Petersburg, Florida and one Liberty Tax Service store in Holiday, Florida.

12. Michael A. Bass is a resident of St. Petersburg, Florida and is named as a Defendant as to all counts in this Complaint. In 2011, Doletzky hired Bass as a tax return preparer and store manager, and later that year, Bass purchased, either individually or through a corporation, a Doletzky Liberty Tax Service store located in St. Petersburg, Florida. Prior to working for Doletzky and attending tax return preparation training courses provided by Doletzky, Bass had no experience as a professional tax return preparer. By 2017, Bass also owned or operated, as a sole proprietorship or through a corporation, at least one additional Liberty Tax Service store in St. Petersburg, Florida, five Liberty Tax Service stores in Largo, Florida, two Liberty Tax Service stores in Seminole, Florida, and one Liberty Tax Service store in Pinellas Park, Florida.

13. Bad Wolf Taxes & Accounting is an active Florida corporation and is named as a Defendant as to all counts in this Complaint. Since 2015, Bass operated and controlled his tax preparation stores through his ownership of Bad Wolf Taxes & Accounting and, according to filings with the State of Florida, is the sole officer of Bad Wolf Taxes & Accounting. Misconduct alleged against Bass and individuals he supervised at Liberty Tax Service stores Bass controlled occurred, at least in part, through his operation of Bad Wolf Taxes & Accounting. Bad Wolf Taxes & Accounting maintains an active IRS EFIN for filing federal tax returns and tax forms.

14. Michael A. Garno is a resident of Pinellas Park, Florida and is named as a Defendant as to all counts in this Complaint. In 2013, Garno attended tax return preparation

training classes provided by Doletzky and began working for Doletzky as a tax return preparer and store manager. Garno had no prior experience as a professional tax return preparer prior to working for Doletzky. In 2014, Garno purchased a Liberty Tax Service store owned by Doletzky in St. Petersburg, Florida. From 2015 to 2017, Garno operated at least two Liberty Tax Service locations in St. Petersburg, Florida.

**Defendants' Tax Return Preparation Activities**

15. Defendant Steven M. Doletzky is a tax return preparer because he is the sole owner and officer of Tax Professionals and co-owner of V.J.S.D., each of which employed one or more persons to prepare federal tax returns for compensation. Although V.J.S.D. is currently an inactive corporation, employees of V.J.S.D. have prepared and filed federal income tax returns as recently as 2018.

16. Michael A. Garno is a tax return preparer because he obtained and used a federal preparer tax identification number ("PTIN") to personally prepare and file tax returns as recently as 2014. Garno also employed one or more persons to prepare federal tax returns for compensation as sole proprietor of his Liberty Tax Service stores as recently as 2018.

17. Michael A. Bass is a tax return preparer because he maintains a PTIN, prepared federal tax returns as recently as 2018 using his PTIN, and has employed others to prepare tax returns through his position as sole officer and owner of Bad Wolf Taxes & Accounting.

18. Bad Wolf Taxes & Accounting is a tax return preparer because it employed one or more persons to prepare federal tax returns for compensation as recently as 2018.

19. Over the last five years, the vast majority of the tax returns prepared by employees at Liberty Tax Service stores owned by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through Florida corporations they

controlled (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), included a tax refund claim, as shown in the chart below.

| | **Doletzky/V.J.S.D.** | **Bass** | **Garno** |
|---|---|---|---|
| **2017** | 88%<br>(516 tax returns) | 87%<br>(2,601 tax returns) | 93%<br>(685 tax returns) |
| **2016** | 88%<br>(587 tax returns) | 91%<br>(3,494 tax returns) | 96%<br>(823 tax returns) |
| **2015** | 91%<br>(680 tax returns) | 90%<br>(3,010 tax returns) | 98%<br>(1,031 tax returns) |
| **2014** | 94%<br>(3,876 tax returns) | 90%<br>(2,450 tax returns) | 98%<br>(1,049 tax returns) |
| **2013** | 93%<br>(3,049 tax returns) | 93%<br>(831 tax returns) | - |

20. From at least 2014 to 2017, employees under each Defendant's control and at each Defendant's direction at Liberty Tax Service stores owned by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through Florida corporations they controlled (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), prepared false or fraudulent tax returns that understated customers' federal income tax liabilities and/or claimed fraudulent tax refunds.

21. To give the appearance that tax returns they prepared included information verified by customers, employees at Liberty Tax Service stores owned by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through Florida corporations they controlled (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), asked customers to sign Return Information Verification forms and other Liberty Tax Service forms as part of the preparation of customers' tax returns. These forms give the illusion – should the IRS conduct an investigation of Defendants' tax return preparation practices – that customers verified their income, expenses, and other information contained on their tax returns and the accompanying schedules.

22. The goal of Defendants' tax-fraud scheme was to obtain a tax refund for their customers that their customers would not otherwise be entitled to receive and, concomitantly, to profit from preparing and filing fraudulent income tax returns by charging fees for their services.

23. Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, directly or indirectly though Florida corporations (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), profited from the preparation and filing of false or fraudulent income tax returns by charging fees for their services. The amount of ill-gotten gains that the Court should order disgorged from Defendants exceeds $650,000.00 and may exceed $1 million.

*Recruitment of Homeless Individuals in Florida to Prepare Fraudulent Tax Returns*

24. As early as 2011 to as recently as 2014, to increase the volume of tax returns filed using the schemes described in this Complaint, Steven M. Doletzky, with the assistance of individuals hired by Doletzky, actively recruited homeless individuals in the St. Petersburg area. Individuals hired by Doletzky prepared and filed fraudulent tax returns for these homeless individuals, including at Doletzky's 4th Street North, 1st Avenue North, and 34th Street South Liberty Tax Service stores in St. Petersburg.

25. Doletzky recruited homeless individuals to his Liberty Tax Service stores with promises of cash – usually $25 – as well as food and beverages. The targets of this scheme were also lured to Doletzky's Liberty Tax Service stores with false promises of assistance with obtaining welfare benefits on their behalf.

26. Doletzky obtained vans to transport homeless individuals to his Liberty Tax Service stores from locations in the St. Petersburg area targeted for recruitment because they were known areas where homeless people congregated, such as Williams Park in St. Petersburg and areas near homeless shelters and Salvation Army locations. Doletzky also targeted locations

outside his Liberty Tax Service franchise territory, and when at least one Liberty Tax Service franchisee complained about this practice to Doletzky in 2012, Doletzky suggested to the complaining franchisee that he participate in the scheme.

27. Doletzky's goal was to get homeless people into Liberty Tax Service stores owned or controlled by him so that Liberty Tax Service preparers acting at his direction could prepare and file false federal tax returns that reported fictitious household help income and bogus education expenses on behalf of the homeless individuals – all to claim fraudulent tax credits and tax refunds. (*See infra*, ¶ 37(C) (explaining household help income) and ¶¶ 28-29 (explaining education credits).) Doletzky, indirectly through his control of Tax Professionals, retained the bulk of these refunds as tax return preparation fees.

*False Claims for Education Credits*

28. For eligible taxpayers, education credits, including the American Opportunity Tax Credit and the Lifetime Learning Credit, help with the cost of higher education by reducing the amount of tax owed on an individual's federal income tax return. If the credit reduces the tax to less than zero, the taxpayer may receive a tax refund. However, only qualified education expenses incurred at eligible educational institutions by the taxpayer, his/her spouse, or a valid dependent can serve as the basis for a valid claim for an education tax credit.

29. Colleges and universities complete IRS Forms 1098-T that report education expenses that qualify for education tax credits. Each school transmits information it reports on Forms 1098-T to the IRS and provides copies to its students, who may report qualifying expenses to claim education tax credits on their federal income tax returns.

30. Between 2014 and 2017, employees of Liberty Tax Service franchisees owned or controlled by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as

sole proprietorships or through corporations (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), at each Defendant's direction and control, prepared federal income tax returns that falsely claimed education credits on their customers' behalf.

31. According to former employees at Doletzky's Liberty Tax Service stores, tax return preparers claimed education credits for customers when it was obvious to the preparers that the customers were not students because the customers lacked any supporting documentation showing they were college students, including Forms 1098-T. Tax return preparers acting at Doletzky's direction and under his control required no substantiation to claim education credits, and Doletzky provided his preparers with a list of local colleges' tax identification numbers to falsely claim education credits. In some cases, the preparers coached customers and advised them to sign Liberty Tax Service forms claiming false education expenses in order to increase the customers' tax refunds.

32. Tax return preparers employed at Liberty Tax Service stores owned by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), at each Defendant's direction and control, prepared and filed federal income tax returns that claimed fraudulent education credits for expenses purportedly incurred at multiple colleges or universities for years the customers did not attend the school.

33. Although colleges and universities issue Forms 1098-T, tax returns prepared and filed by employees of Liberty Tax Service stores owned by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting),

claimed education credits when no record exists on a Form 1098-T that the customer actually attended a qualifying college or university for that year. From 2013 to 2015, employees at:

A. Doletzky's Liberty Tax Service stores prepared and filed tax returns with over 500 false education tax credit claims when no Form 1098-T existed for the year of the claimed credit. Over 100 of those claims for the education tax credit falsely reported to the IRS that the preparer had a copy of the Form 1098-T.

B. Michael Garno's Liberty Tax Service stores prepared and filed tax returns with over 450 false education tax credit claims when no Form 1098-T existed for the year of the claimed credit. Over 250 of those claims for the education tax credit falsely reported to the IRS that the preparer had a copy of the Form 1098-T.

C. Michael Bass' Liberty Tax Service stores prepared and filed tax returns with over 300 false education tax credit claims when no Form 1098-T existed for the year of the claimed credit. Over 100 of those claims for the education tax credit falsely reported to the IRS that the preparer had a copy of the Form 1098-T.

34. From 2014 to 2016, tax return preparers employed at Steven M. Doletzky, Michael A. Garno, and Michael A. Bass' Liberty Tax Service stores prepared and filed tax returns that claimed over 435 false education credit claims for purported expenses from a single college in Florida, St. Petersburg College, including:

A. Over 275 claims for the education tax credit on tax returns prepared at Doletzky's stores that falsely reported that each customer attended St. Petersburg College during the year of the claimed education credit.

B. Over 130 claims for the education tax credit on tax returns prepared at Garno's stores that falsely reported that each customer attended St. Petersburg

College during the year of the claimed education credit, 11 of which reported Garno as the tax return preparer on the return.

C. Over 30 claims for the education tax credit on tax returns prepared at Bass' stores that falsely reported that each customer attended St. Petersburg College during the year of the claimed education credit, 24 of which reported Bass as the tax return preparer on the return.

For each of these 435 claims for education credits, the IRS has no record from Form 1098-Ts that any of the customers had education expenses during the year of the claimed credit, and St. Petersburg College has no record that any of these customers enrolled at the college during the years of the claimed education credit.

35. Tax return preparers who worked for Steven M. Doletzky, Michael A. Garno, and Michael A. Bass also routinely claimed improper education credits for customers who attended colleges and universities, but received financial assistance that exceeded the students' expenses, thereby making these students ineligible for the claimed education credits. Examples of students who attended St. Petersburg College and whose preparers claimed improper education credits because of financial assistance the students received include:

A. Customer 1, who had a 2013 tax return prepared at Doletzky's 2156 34th Street South St. Petersburg Liberty Tax Service store in February 2014, claimed an improper $1,000 American Opportunity Tax credit.

B. Customer 2, who had a 2016 tax return prepared at the V.J.S.D. 5500 4th Street North St. Petersburg Liberty Tax Service store in February 2017, claimed improper education credits exceeding $1,200.

C. Customer 3, who had a 2016 joint tax return prepared at Bass' 3665 E. Bay Drive Largo Liberty Tax Service store in February 2017, claimed improper education credits exceeding $6,000 on behalf of Customer 3, her husband, and child.

D. Customer 4, who had a 2013 tax return at Garno's 3050 1st Avenue North St. Petersburg Liberty Tax Service store in February 2014, claimed an improper American Opportunity Tax credit exceeding $900.

*Earned Income Tax Credit Fraud*

36. The Earned Income Tax Credit ("EITC") is a benefit for working taxpayers with low to moderate income. The amount of the EITC for which taxpayers may qualify increases in relation to their "earned income" until they reach a certain threshold, over which they become ineligible to claim the EITC. The EITC of a qualifying taxpayer increases with each additional eligible dependent claimed, up to three dependents.

37. Income that can qualify a taxpayer for the EITC includes:

A. Wage income by employers as reported on federal Forms W-2 and line 7 on Form 1040 federal income tax returns;

B. Income earned by individuals who do business as sole proprietorships, which taxpayers report on Schedule C on Form 1040 federal income tax returns; and

C. Wages earned from household work, such as housekeeping, babysitting, gardening, and other services, when the taxpayer's annual income is less than an amount that the IRS requires employers to report on a Form W-2 (*e.g.* less than $2,000 for 2016). Taxpayers report household help income on line 7 of Form

1040 federal income tax returns, but the IRS does not necessarily receive verification from an employer showing wages they paid to those individuals.

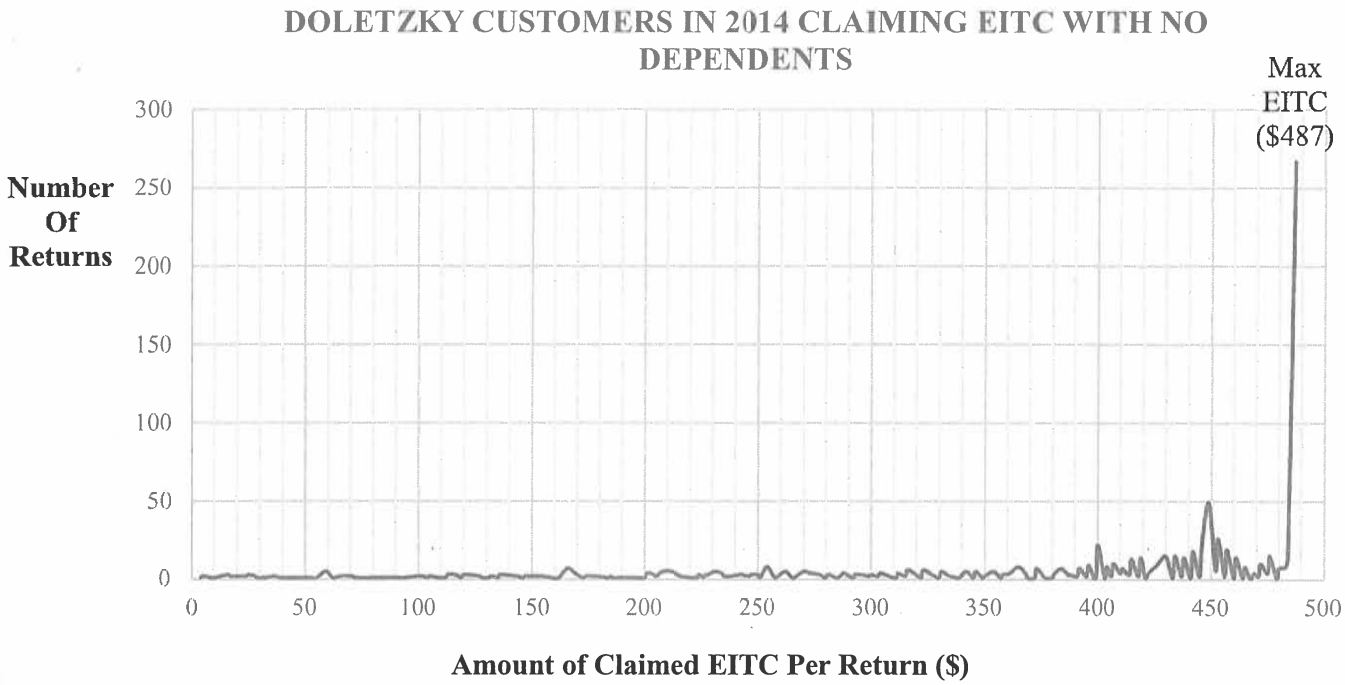
38. Given the potential for abuse in claiming the EITC, Congress has authorized the Secretary of the Treasury to impose due diligence requirements on federal tax return preparers claiming the EITC for their customers. Due diligence requirements mandate that a tax return preparer must conduct an inquiry to verify whether his/her customer qualifies for the EITC amount claimed and must not know, or have reason to know, that any information used by the tax return preparer in determining the taxpayer's eligibility for, or the amount of, the EITC is incorrect.

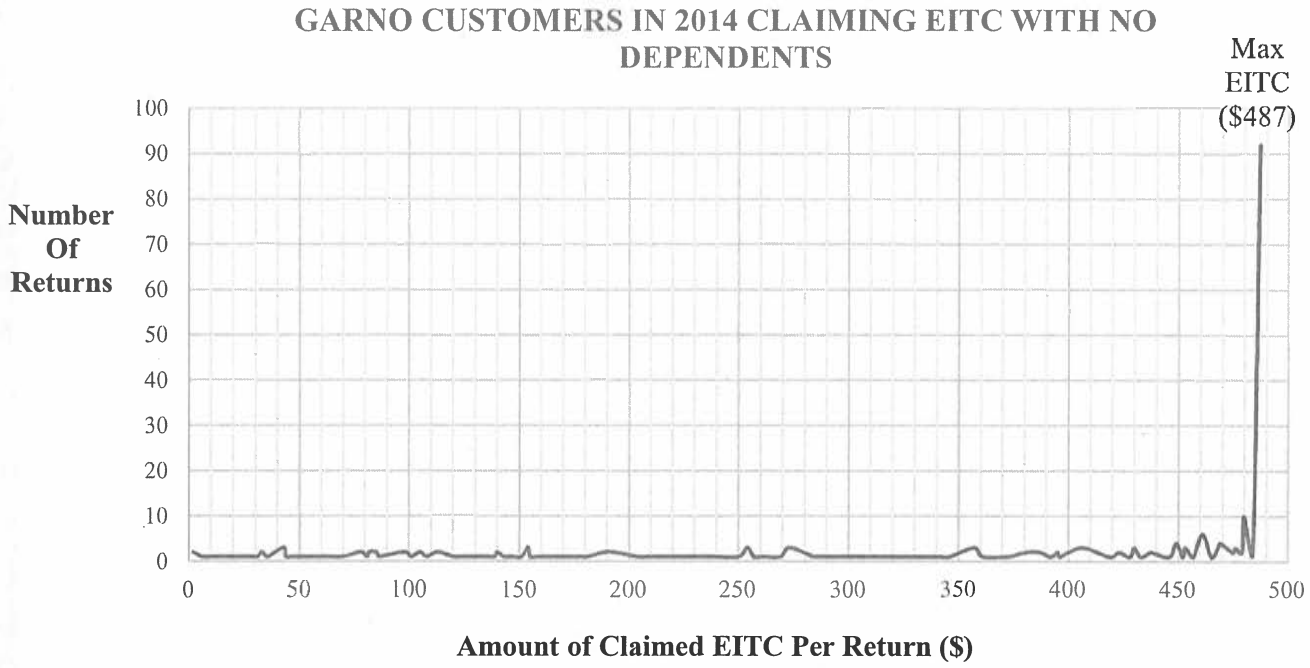
39. Approximately half, and in most years over half of the tax returns prepared and filed each year from 2013 to 2017 by employees at Liberty Tax Service stores owned by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through Florida corporations they controlled (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), included a claim for the EITC, as shown in the chart below:

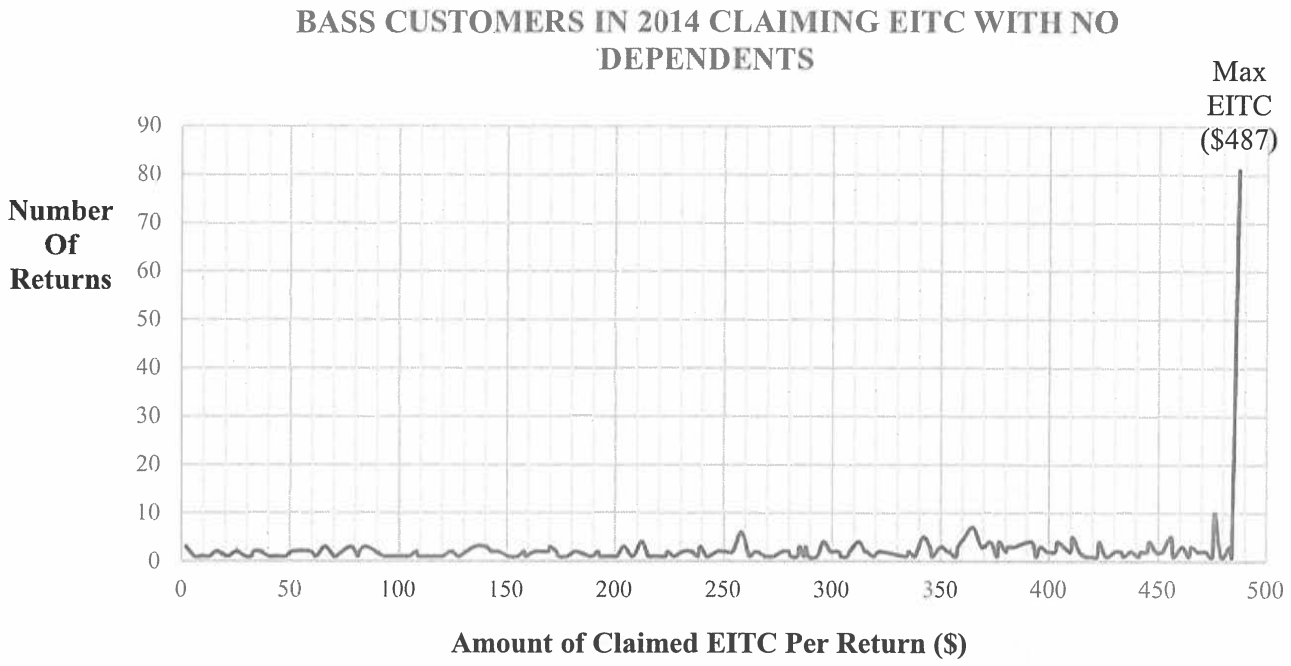
| | **Doletzky/V.J.S.D.** | **Bass** | **Garno** |
|---|---|---|---|
| **2017** | 47% | 44% | 65% |
| **2016** | 49% | 55% | 67% |
| **2015** | 45% | 55% | 62% |
| **2014** | 59% | 58% | 61% |
| **2013** | 55% | 57% | - |

For each year from 2013 to 2015, 23% to 24% of federal income tax returns filed in the State of Florida included a claim for the EITC.

40. In 2014 for example, when tax return preparers at Doletzky, Garno, and Bass' Liberty Tax Service stores prepared tax returns claiming the EITC with no eligible dependents, the majority claimed at or near maximum allowable amounts for 2014 (*i.e.*, $487) and far in excess of the $280 national average EITC for individuals with no eligible dependents that year:


DOLETZKY CUSTOMERS IN 2014 CLAIMING EITC WITH NO DEPENDENTS
Max EITC ($487)
Number Of Returns
300
250
200
150
100
50
0
0
50
100
150
200
250
300
350
400
450
500
Amount of Claimed EITC Per Return ($)


GARNO CUSTOMERS IN 2014 CLAIMING EITC WITH NO DEPENDENTS
Max EITC ($487)
Number Of Returns
100
90
80
70
60
50
40
30
20
10
0
0
50
100
150
200
250
300
350
400
450
500
Amount of Claimed EITC Per Return ($)




41. Since at least 2011 to 2014 at Doletzky's Liberty Tax Service stores, Doletzky actively encouraged false claims for the EITC. According to former employees at Liberty Tax Service stores controlled by Doletzky, he required no substantiation to complete a Schedule C used to report customer income and expenses to claim the credit.

42. Similarly, Garno did not require tax return preparers he employed to substantiate a Schedule C business used to claim the EITC, and tax return preparers he employed failed to conduct mandatory due diligence when claiming the EITC for repeat customers.

43. During at least one tax filing season in 2014, Bass instructed preparers at his Liberty Tax Service stores that no supporting documentation was needed to prepare and file tax returns that claimed the EITC and also encouraged preparers to falsely report income to maximize EITC claims.

44. Given that taxpayers submit limited information to the IRS to report household help income ("HSH Income") and employers are not required to independently report HSH Income on Forms W-2, Doletzky directed preparers at his tax return preparation stores to prepare

tax returns reporting fake HSH Income to claim fraudulent EITCs. In or about 2014, Doletzky falsely informed at least one tax return preparer that HSH Income was a "new loophole" that could be used to report taxpayer income in order to claim the EITC with minimal or no substantiation. For that same year, over 20% of tax returns (*i.e.*, over 800 tax returns) prepared and filed at Doletzky's Liberty Tax Service stores reported HSH Income. Of those tax returns claiming the EITC with no eligible dependents, over 33% claimed precisely the maximum EITC for 2014. Those customers only received a small portion of that maximum EITC refund of $487 after accounting for tax preparation fees charged by Liberty Tax Service.

45. Bass directed the filing of fraudulent federal income tax returns reporting HSH Income. Although tax return preparers at Bass' direction and under his control did not file a single tax return that claimed HSH Income in 2013, HSH tax returns quickly became a significant portion of his business, as shown below, then ceased entirely after Bass was interviewed by IRS revenue agents about the practice after the 2016 tax filing season:

| | Number of HSH Returns | % of Total Returns Filed |
|---|---|---|
| **2017** | 0 | 0% |
| **2016** | 252 | 7% |
| **2015** | 229 | 8% |
| **2014** | 321 | 13% |
| **2013** | 0 | 0% |

46. For 2014, 99% of tax returns filed at Bass' Liberty Tax Service stores that claimed HSH Income also claimed the EITC. Of those HSH tax returns claiming the EITC with no eligible dependents, over 43% claimed precisely the maximum allowable EITC for 2014. For these customers, Liberty Tax Service retained most of the EITC refund of $487 in the form of tax preparation fees.

47. Garno directed the filing of fraudulent federal income tax returns reporting HSH Income. As shown in the chart below, although Garno did not own Liberty Tax Service stores

before 2014, HSH tax returns constituted a significant portion of his business during his first year in operation. This practice ended after Garno became aware that the IRS was scrutinizing his tax return preparation activities in early 2015:

| | Number of HSH Returns | % of Total Returns Filed |
|---|---|---|
| **2017** | 0 | 0% |
| **2016** | 0 | 0% |
| **2015** | 23 | 2% |
| **2014** | 127 | 12% |

48. For 2014, every single tax return prepared and filed at Garno's Liberty Tax Service stores that reported HSH income also claimed the EITC. Of these tax returns, over 60% that employees prepared and filed that reported HSH Income for customers without eligible dependents claimed precisely the maximum allowable EITC for 2014. Even the maximum EITC of $487 barely covered the tax return preparation fees charged at Garno's Liberty Tax Service stores.

49. Tax return preparers employed at Liberty Tax Service stores owned by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), prepared and filed federal income tax returns at each Defendant's control and direction that either overstated claims for the EITC for customers, or claimed the EITC for customers who were not entitled to the credit. Tax return preparers at these stores prepared tax returns that reported fictitious HSH Income, non-existent Schedule C business income, or substantially inflated income or expenses from Schedule C businesses to claim improper tax refunds based on the EITC. For example:

A. Customer 5, a stay-at-home mother of two children, had her 2012 and 2013 tax returns prepared at Doletzky's 3050 1st Avenue North St. Petersburg

Liberty Tax Service store in February 2013 and 2014, respectively. During 2012 and 2013, Customer 5 did not work outside the home and paid for living expenses from funds received through public assistance. To claim fraudulent EITCs exceeding $5,300 for each year, Customer 5's tax return preparers employed at the 3050 1st Avenue North store completed and filed 2012 and 2013 tax returns for Customer 5 that falsely reported income of over $14,000 each year from a fictitious cleaning business. According to Customer 5, employees at the 3050 1st Avenue North store fabricated the cleaning business to claim bogus income tax refunds and assured Customer 5 that doing so was legal. Because of these fraudulent tax returns, Customer 5 claimed over $10,000 of improper refunds.

B. Customer 6, a nursing student, had her 2015 tax return prepared at the 5500 4th Street North St. Petersburg office owned by V.J.S.D. in January 2016. To claim a tax refund exceeding $6,700, including a false EITC exceeding $6,000, Customer 6's tax return falsely reported that Customer 6 owned a day care business with over $17,500 of gross receipts and over $2,500 of expenses. Customer 6 neither owned a day care business, nor informed her tax return preparer that she did.

C. In January of 2016, Customer 7's 2015 federal income tax return was prepared at Bass' 3713 49th Street North St. Petersburg office location. Customer 7 performed landscaping and gardening services in her neighborhood and earned approximately $1,000 in 2015. Customer 7's tax return falsely reported that she earned over $16,000 of HSH Income. Customer 7 neither told the preparer employed at the 3713 49th Street North Liberty Tax Service store that she earned

HSH Income, nor did she instruct the preparer to report that HSH Income on the tax return. The fictitious HSH Income improperly inflated Customer 7's claim for the EITC to $5,500.

D. Customer 8 had her 2014 and 2015 tax returns prepared at Garno's St. Petersburg offices at 3050 1st Avenue North and 1139 Dr. Martin Luther King Street, respectively. In both years, in order to claim an inflated EITC, Customer 8's tax return falsely reported that Customer 8 owned a janitorial business. Customer 8's 2014 tax return falsely reported over $10,000 of gross receipts and approximately $900 of expenses, while Customer 8's 2015 tax return falsely reported $14,000 of gross receipts and $1,200 of expenses. Customer 8 neither owned a janitorial business, nor informed her tax return preparer that she did for either 2014 or 2015. Combined, the two tax returns fraudulently claimed refunds exceeding $5,500.

E. Customer 9 had his 2013 federal tax return prepared at Garno's 3050 1st Avenue North St. Petersburg Liberty Tax store location. Customer 9 believed that the preparer employed by Garno was assisting him in obtaining an education loan, but in fact, the preparer prepared and filed Customer 9's 2013 tax return without permission. Customer 9's 2013 tax return falsely claimed that Customer 9 earned $6,250 of HSH Income and fraudulently claimed a refund of $480 for the EITC. Customer 9 learned that Garno's preparer had filed his return without permission when Customer 9 later attempted to file a separate 2013 tax return, which the IRS's tax return filing system rejected because Garno's Liberty Tax Service store had already filed Customer 9's fraudulent tax return.

50. Employees at Liberty Tax Service stores owned by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), prepared tax returns at each Defendant's control and direction that reported false head-of-household status, fake dependents, included falsified due diligence questionnaires (Forms 8867), and claimed false tax deductions in order to reduce reported income, all to falsely claim EITCs, other tax credits, or to otherwise fraudulently increase the taxpayer's refund claim. For example:

A. In January 2014 and 2015, tax return preparers at Doletzky's 2156 34th Street Liberty Tax Service St. Petersburg store prepared Customer 10's 2013 and 2014 income tax returns, respectively, by falsely reporting: (1) Customer 10's filing status as head-of-household; (2) Customer 10's daughter as a qualifying dependent; and (3) bogus income from hair businesses. This misconduct resulted in false EITC claims and income tax refunds exceeding $6,000 to which Customer 10 was not entitled. Preparers at this Liberty Tax Service location told Customer 10 to falsely claim the head-of-household filing status to get larger refunds even though Customer 10 did not qualify for that status in either year because Customer 10's mother financially supported both Customer 10 and her daughter.

B. In March 2017, a preparer employed at the V.J.S.D. 5500 4th Street North St. Petersburg Liberty Tax Service store improperly claimed Customer 11's adult daughter as a qualifying dependent for the EITC. To claim an adult as a qualifying dependent for the EITC, the adult must either be a full-time student or

be permanently and totally disabled. Customer 11's preparer failed to comply with EITC due diligence requirements when preparing Customer 11's 2016 tax return because the preparer failed to ask Customer 11 questions about the adult daughter. If the preparer had conducted mandatory due diligence, the preparer would have ascertained that Customer 11's adult daughter was neither a full-time student nor permanently and totally disabled, and was not eligible to be a dependent for the EITC.

C. Customer 12 went to the V.J.S.D. 5500 4th Street North St. Petersburg Liberty Tax Service store in February 2015 to have her 2014 tax return prepared. Customer 12 reported her W-2 wage income and, on a Form Schedule C, income she earned clerking for a motel. However, Customer 12's preparer offset all but $108 of Customer 12's motel clerk income reported on Schedule C with fictitious deductible business expenses. Customer 12 had no qualifying, deductible expenses to report on Schedule C. Customer 12 provided no documentation to her preparer to support business expense deductions, and the 4th Street North Liberty Tax Service store had none in files it retained for Customer 12. By including fictitious business expenses, Customer 12's tax return preparer inflated Customer 12's claim for the EITC.

D. In January 2016, a preparer employed at Bass' 3713 49th Street North St. Petersburg office prepared Customer 13 and Customer 14's 2015 federal income tax returns. Customer 13 told the preparer that he had five children under the age of 16 that he was entitled to claim as dependents on his tax return. The preparer incorrectly told Customer 13 that because only three children could be claimed as

dependents on the return, Customer 13 should to let someone else falsely claim two of the five children as dependents. As a result, Customer 14, a sibling of Customer 13, falsely reported two of Customer 13's children as qualifying dependents to claim the EITC. Customer 14 failed to meet the requirements necessary to claim Customer 13's children as dependents because Customer 14 did not live in the same household as the children or financially support the two children. In order to further increase Customer 14's tax refund, Customer 14's 2015 federal income tax return also claimed fictitious HSH Income of $17,000, even though Customer 14 did not tell the preparer to report that income on the tax return. Customer 14's 2015 tax return claimed a refund of over $5,500 from an improper EITC and a $2,000 refund for a fraudulent Additional Child Tax Credit.

E. Customer 15 had her 2016 tax return prepared at Garno's 3050 1st Avenue North St. Petersburg Liberty Tax Service store in January 2017. During 2016, Customer 15 lived with her boyfriend, who helped pay household bills. Customer 15's preparer, however, asked no questions to verify whether Customer 15 qualified for the head-of-household status claimed on the 2016 tax return. Customer 15's preparer also falsified the Paid Preparer's Due Diligence Checklist (Form 8867) that accompanied the 2016 tax return because the preparer failed to ask questions of Customer 15 listed on the Checklist to verify Customer 15's claims for the EITC and child tax credit.

*PTIN Abuse*

51. Anyone who prepares or assists in preparing federal tax returns for compensation must have a valid Preparer Tax Identification Number (PTIN) issued by the IRS. Paid preparers

must include their PTIN on each tax return they prepare and file with the IRS, and the IRS prohibits individuals from sharing PTINs. PTINs serve as an essential part of tax administration and the Government's effort to ensure compliance with the internal revenue laws by allowing the IRS to identify paid tax preparers on tax returns.

52. At Liberty Tax Service stores he controlled, Steven M. Doletzky encouraged others to knowingly violate IRS PTIN rules by: (a) providing PTINs to preparers that belonged to others in order to prepare tax returns, including to preparers who did not have or could not obtain their own PTINs; and (b) repeatedly using the PTIN of a former employee without that person's knowledge and despite that former employee's attempts to stop the practice. Doletzky also paid at least one individual who worked for him $50 to take an online test to obtain a PTIN in place of another person who worked for Doletzky but could not pass the test.

53. Michael A. Garno either directly or indirectly encouraged or permitted PTIN sharing among individuals employed at Liberty Tax Service stores he controlled.

54. Michael A. Bass improperly allowed preparers employed at Liberty Tax Service stores he controlled to use his PTIN to prepare and file federal income tax returns.

*Other Misconduct*

55. By statute (I.R.C. § 6695(a)), tax return preparers are required to furnish a copy of each tax return they prepare and file for each customer to that customer. Liberty Tax Service stores owned or controlled by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), routinely failed to comply with this requirement.

56. At Doletzky's Liberty Tax Service stores, employees prepared tax returns based on income information appearing on customer paystubs before Forms W-2 became available and improperly filed customers' tax returns with the IRS without receipt of the customers' Forms W-2s. In 2013, for example, Doletzky instructed an employee at a Liberty Tax Service store he controlled to transmit tax returns to Liberty Tax Corporate for filing with the IRS. Again, in 2014, Doletzky specifically instructed at least one of his store managers to file tax returns that employee-preparers completed without Forms W-2.

*Unconscionable Fees*

57. Defendants' Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting charged unconscionably high fees to their customers – in some instances without properly disclosing those fees to customers – for tax returns that in some instances took preparers fifteen minutes to complete. At Liberty Tax Service stores owned or controlled by Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), examples of unconscionable fees charged to customers include:

A. In January 2014, Customer 16 went to the Liberty Tax Service store located at 5500 4th Street North in St. Petersburg when Doletzky controlled that location. The tax return preparer employed at that store prepared and filed a 2013 tax return that inflated Customer 16's reported wages and business income to claim an improper refund exceeding $6,500. Doletzky charged approximately $1,500 in fees for preparation of the fraudulent tax return.

B. For Customer 6 (*supra*, ¶ 49(B)), V.J.S.D.'s 5500 4th Street North St. Petersburg Liberty Tax Service store charged Customer 6 approximately $900 for the preparation of Customer 6's fraudulent 2015 tax return and failed to inform Customer 6 of this fee until after Liberty Tax Service filed the tax return.

C. Customer 17, a taxicab driver, had his 2015 tax return prepared at Bass' 1340 N. Missouri Avenue Largo Liberty Tax Service store in February of 2016. Customer 17's tax return falsely inflated his reported Schedule C business expenses by over $9,000. Bass' 1340 N. Missouri Avenue office charged Customer 17 $850 to prepare the 2015 tax return,

D. In April 2016, Customer 18 went to Bass' 1941 W. Bay Drive Largo Liberty Tax Service store to have a joint 2015 tax return prepared. Customer 18 was a nurse during 2015 and his wife received taxable proceeds from the United States military as the widow of a fallen soldier. Customer 18's preparer failed to report income on his tax return that Customer 18 disclosed to his preparer. Customer 18 paid approximately $1,000 to have the 2015 tax return prepared.

**Harm Caused by Defendants**

58. Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass have harmed the public and the United States Treasury through their control of Liberty Tax Service stores, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), that prepared false or fraudulent tax returns. Their practices harmed the public because individuals employed at these Liberty Tax Service stores prepared false or fraudulent tax returns that understated customers' income

tax liabilities and/or overstated the refunds due, thus illegally causing their customers to incorrectly report their federal tax liabilities.

59. Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass have harmed their customers through their control of Liberty Tax Service stores, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), by illegally causing them to incorrectly report their federal tax liabilities and underpay their taxes. These customers are liable for taxes owed and may be liable for sizeable penalties and interest.

60. Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass, through their control of Liberty Tax Service stores, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), have harmed some of their customers and/or their customers' families by potentially disqualifying them from public assistance that they were otherwise eligible to receive. For example:

A. In January 2015, an employee of Michael A. Garno prepared Customer 19's 2014 income tax return that reported $16,000 of income and $1,600 of expenses from a fictitious hair styling business. Customer 19 told the preparer that she did not work in 2014, but the preparer told Customer 19 that filing a tax return that reported false income was permissible because Customer 19 provided for her children – including an infant and a special needs child. In 2015, however, during the Pinellas County Housing Authority's ("PHCA") benefits eligibility review for access to its public housing benefits, the PCHA reviewed Customer 19's 2014 federal income tax return and discovered the false income reported to

the IRS for 2014. To avoid losing her PHCA subsidized housing, Customer 19 had to pay-over to the PCHA nearly $5,000 under a repayment agreement to account for the bogus income.

B. In February 2016, Customer 20 had her 2015 income tax return prepared at the 3050 1st Avenue St. Petersburg store that Garno acquired from Doletzky. Customer 20's 2015 tax return reported over $7,500 of fictitious Schedule C income and included a false claim for the EITC and improper tax refund. Subsequently, the St. Petersburg Housing Authority's ("SPHA") reviewed Customer 20's 2015 return because Customer 20 lived with her mother, a SPHA benefits recipient. The SPHA terminated Customer 20's mother's subsidized housing benefits, in part, because her daughter's reported income disqualified Customer 20's mother from receiving her SPHA housing assistance.

C. In January 2015, Customer 21's 2014 income tax return, signed by Bass, claimed Schedule C income, an EITC, and a refund exceeding $3,500. Later in 2015, during the SPHA's benefits eligibility review, the SPHA reviewed Customer 21's 2014 return and discovered the false claims of income reported to the IRS, but not the SPHA. The unreported income made it appear as though Customer 21 received over $2,200 in 2014 housing benefits to which she was not entitled. The SPHA required Customer 21 to repay these benefits or lose her subsidized housing.

61. Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass' fraudulent practices have harmed the United States Treasury through their control of Liberty Tax Service stores, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax

Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), because their customers were not paying taxes they lawfully owed or received tax refunds that were not entitled to receive.

62. Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass' misconduct through their control of Liberty Tax Service stores, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), further harmed the United States and the public by requiring the IRS to devote resources to detecting their misconduct and to assessing, collecting, or recovering taxes or erroneous tax refunds from Defendants' customers.

63. Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass' misconduct through their control of Liberty Tax Service stores, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), harmed the employees at the Liberty Tax Service stores they controlled by knowingly exposing them to possible civil and criminal liability.

64. Finally, Defendants Steven M. Doletzky, Michael A. Garno, and Michael A. Bass' misconduct through their control of Liberty Tax Service stores, either as sole proprietorships or through corporations controlled by them (*e.g.* Tax Professionals, V.J.S.D., and Bad Wolf Taxes & Accounting), harmed the public at large by undermining public confidence in the federal tax system because, *inter alia*, fraudulent claims for the EITC damage public confidence in a statutory credit meant to encourage low-income workers to maintain employment, and false reporting of income, expense deductions, and fraudulent claims for tax credits damages confidence in a tax system predicated upon accurate self-reporting to the IRS.

65. The harm to the government and the public will increase unless Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes &

Accounting are all enjoined because — given the seriousness and pervasiveness of their improper conduct — without an injunction, these Defendants are likely to continue enabling the preparation of false and fraudulent federal income tax returns. Even if one or more Defendants is not currently operating a tax return preparation store, given the seriousness and pervasiveness of the misconduct described above, an injunction will serve the public interest by ensuring that any such Defendant is unable to resume his illegal tax preparation practices or assist others to do so in the future. In sum, an injunction will serve the public interest because it will put a stop to Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting's misconduct and the harm that such conduct causes the United States and its citizens.

**COUNT I: INJUNCTION UNDER I.R.C. § 7407**

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

67. Under I.R.C. § 7407, the United States may seek an injunction against any tax return preparer who has engaged in any "fraudulent or deceptive conduct which substantially interferes with the proper administration of the internal revenue laws," or who has "engaged in any conduct subject to penalty under section 6694 or 6695, or subject to any criminal penalty provided by this title."

68. Under I.R.C. § 7701(a)(36), a "tax return preparer" is defined as a person who prepares for compensation or who employs one or more persons to prepare for compensation any return or substantial portion thereof. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting are each tax return preparers within the meaning of I.R.C. § 7701(a)(36).

69. If a return preparer's misconduct is continual or repeated and the court finds that a narrower injunction (*e.g.* prohibiting specific enumerated conduct) would not be sufficient to prevent the preparer's interference with the proper administration of federal tax laws, the court may enjoin the person from further acting as a return preparer.

70. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting, through control of their respective Liberty Tax Service stores, have continually and repeatedly prepared and filed with the IRS false federal income tax returns on behalf of their customers. As a result, Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have continually and repeatedly engaged in fraudulent or deceptive conduct which substantially interferes with the proper administration of the internal revenue laws.

71. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting are tax return preparers who have repeatedly and continually prepared or submitted returns or portions of returns that contained unreasonable positions and substantially understated the liability for tax on returns.

72. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have continually and repeatedly engaged in conduct subject to penalty under I.R.C. § 6694 by preparing federal tax returns that: (a) they knew (or reasonably should have known) understated their customers' liabilities due to unreasonable positions taken on the tax returns; or (b) understated their customers' liabilities due to their willful or reckless conduct. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting, through the actions described above, also recklessly or intentionally disregarded IRS rules or regulations.

73. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have continually and repeatedly engaged in conduct subject to penalty under I.R.C. § 6695. The Treasury Regulations promulgated under § 6695(g) prohibit a return preparer from claiming the EITC without first conducting proper due diligence and documenting that compliance with the due diligence requirements. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting did not comply with these due diligence requirements because they ignored, disregarded, or failed to adequately verify information provided by their customers.

74. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have continually and repeatedly engaged in conduct subject to penalty under I.R.C. § 6695(a) by failing to furnish a copy of each tax return they prepared and filed for each customer to that customer.

75. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have continually and repeatedly engaged in conduct subject to penalty under I.R.C. § 6695(c) by knowingly furnishing false PTINs on their customers' tax returns.

76. Injunctive relief is appropriate to prevent this misconduct because, absent an injunction, Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting will be free to prepare or assist in preparing more false federal income tax returns and engage in other misconduct as described in this Complaint.

77. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting should be permanently enjoined under I.R.C. § 7407 from acting as federal tax return preparers because a more limited injunction would be insufficient to

stop them from further violations of I.R.C. § 6694 and I.R.C. § 6695, as well as interfering with the proper administration of the tax laws.

**COUNT II: INJUNCTION UNDER I.R.C. § 7408**

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

79. Under I.R.C. § 7408(c)(1), a district court may enjoin any person from, *inter alia*, engaging in conduct subject to penalty under I.R.C. § 6701 if injunctive relief is appropriate to prevent recurrence of that conduct.

80. Section 6701 penalizes any person who aids or assists in, procures, or advises with respect to the preparation of any portion of a federal tax return, refund claim, or other document who knows (or has reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws and knowing that if it is so used it will result in an understatement of another person's tax liability. Under I.R.C. § 6701(c)(1), the term "procures" includes "ordering (or otherwise causing) a subordinate to do an act," as well as "knowing of, and not attempting to prevent, participation by a subordinate in an act."

81. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting caused the preparation of false and fraudulent tax returns and other documents, including preparing, assisting, and/or advising with respect to the presentation and preparation of federal tax returns for customers that they knew would understate the customers' correct tax liabilities. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting knowingly prepared, assisted, and/or advised with respect to the presentation and preparation of returns reporting fictitious income to claim improper tax credits and bogus expenses to claim false tax credits and deductions.

Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting procured and assisted the preparation of false and fraudulent tax returns by preparing and filing tax returns that they knew or should have known were false or fraudulent, and by encouraging the filing of tax returns they knew or should have known were false or fraudulent. As a result, Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have engaged in conduct subject to penalty under I.R.C. § 6701.

82. If the Court does not enjoin Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting, they are likely to continue engaging in conduct subject to penalty under I.R.C. § 6701. The preparation of tax returns claiming improper tax credits and deductions is widespread throughout Liberty Tax Service stores controlled or owned by Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting, over many customers and tax years. Injunctive relief is therefore appropriate under I.R.C. § 7408.

**COUNT III: INJUNCTION UNDER I.R.C. § 7402**

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

84. Under I.R.C. § 7402(a), a court may issue injunctions as may be necessary or appropriate for the enforcement of the internal revenue laws, even if the United States has other remedies available for enforcing those laws.

85. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have engaged in conduct that substantially interferes with the enforcement of the internal revenue laws, including by intentionally understating customers' tax

liabilities, claiming fraudulent tax refunds, and filing false federal tax returns on behalf of customers.

86. Unless enjoined, Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting are likely to continue engaging in improper conduct, including filing false and fraudulent tax returns on behalf of taxpayers. If not enjoined from engaging in fraudulent-filing conduct, Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting will inflict irreparable injury upon the United States because the government will wrongfully provide federal income tax refunds to individuals not entitled to receive them, will collect less than the correct amount of tax from individuals who owe taxes to the United States, and will be unable to fully recoup the resulting losses to the U.S. Treasury. Because no adequate remedy of law is available to prevent further irreparable harm to the United States by Defendants, injunctive relief is appropriate under I.R.C. § 7402(a).

## COUNT IV: DISGORGEMENT

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

88. Under I.R.C. § 7402, a court may issue a broad range of remedies, including disgorgement of ill-gotten gains when, *inter alia*, doing so is fair and equitable, deters future violations, or promotes successful administration of the tax laws.

89. Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting, directly or through corporations they controlled, have each profited from the preparation and filing of tax returns that claim improper tax refunds, understate customers' federal tax liabilities, or otherwise include false or fraudulent claims. Specifically,

Defendants received ill-gotten gains by charging fees for the preparation and filing of false or fraudulent tax returns, including but not limited to tax returns that:

A. Claimed education credits for students who never attended qualified educational institutions during the year of the claimed education credit;

B. Claimed education credits for students who attended qualified educational institutions during the year of the claimed credit, but whose Forms 1098-T or other documents make clear that the student's financial assistance exceeded the student's expenses, thereby making the customer ineligible to receive an education tax credit;

C. Reported false HSH Income to fraudulently claim the EITC;

D. Improperly claimed the EITC for individuals who do not qualify for the credit, or otherwise claimed the EITC without conducting mandatory due diligence; and

E. Included improper claims for tax refunds, or otherwise understated income, according to the taxpayer, or as determined during an IRS audit or taxpayer interview.

Disgorgement of these fees charged by Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting is therefore appropriate under I.R.C. § 7402(a).

90. The amount of ill-gotten gains eligible for disgorgement by all Defendants exceeds $650,000.00 and may exceed $1 million.

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

A. That the Court find that Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have continually and repeatedly engaged in conduct subject to penalty under I.R.C. §§ 6694, 6695, and 6701, and that injunctive relief is appropriate under I.R.C. §§ 7402, 7407, and 7408 to bar them from acting as tax return preparers;

B. That the Court find that Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting have substantially interfered with the enforcement and administration of the internal revenue laws, and that injunctive relief against them is appropriate to prevent further misconduct pursuant to I.R.C. §§ 7402(a), 7407(b)(2), and 7408(b)(2);

C. That the Court permanently enjoin Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting and their representatives, agents, servants, employees, and anyone in active concert or participation with them, from directly or indirectly:

1. Acting as federal tax return preparers, or filing, assisting in, or directing the preparation or filing of federal tax returns, amended returns, or other related documents or forms for any person or entity other than their own personal tax returns;

2. Filing, providing forms for, or otherwise aiding and abetting the filing of IRS Forms 1040, 1040X, 8867, 8863, Schedule C, or any other IRS forms containing false or fabricated information;

3. Owning, managing, controlling, working for, volunteering for, selling advice or training services to any tax return preparer or tax return preparation business;

4. Profiting from any tax return preparation business, including but not limited to profiting from the sale of any tax return preparation service or the sale of any product or service sold by a tax return preparation business;

5. Seeking permission or authorization (or helping or soliciting others to seek permission or authorization) to file tax returns with an IRS Preparer Tax Identification Number ("PTIN") and/or IRS Electronic Filing Identification Number ("EFIN"), or through any other IRS service or program by which one prepares or files tax returns;

6. Using, maintaining, renewing, obtaining, transferring, selling, or assigning any PTIN(s) or EFIN(s);

7. Representing anyone other than themselves before the IRS; and

8. Engaging in any other conduct that is subject to penalty under the Internal Revenue Code or that interferes with the proper administration and enforcement of the internal revenue laws.

D. That the Court, pursuant to I.R.C. §§ 7402 and 7407, enter an order requiring Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting to immediately and permanently close all tax return preparation stores that they own directly or through any entity, whether those stores do business as Liberty Tax Service or operate under any other name;

E. That the Court, pursuant to I.R.C. §§ 7402 and 7407, enter an order appointing a receiver to sell all the hard assets, such as computers (after any and all taxpayer information has

been removed), electronics, and furniture, of Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting's tax preparation businesses;

F. That the Court, pursuant to I.R.C. § 7402, enter an order barring Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting from: (1) selling or transferring to any individual or entity a list of customers, or any customer information they obtained from operation of their tax return preparation business; and (2) selling to any individual or entity any proprietary information pertaining to the their tax preparation businesses;

G. That the Court, pursuant to I.R.C. §§ 7402, 7407, and 7408, enter an order requiring Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting, within 30 days of receiving the Court's order, to contact by U.S. mail and, if an e-mail address is known, by e-mail, all persons for whom they or their tax return preparation stores have prepared federal tax returns, amended tax returns, or claims for refund since January 1, 2014, enclosing a copy of the executed injunction. The injunction should require that: (i) other than the executed injunction, no additional materials may be included in the notification to their customers unless approved by the United States or the Court; and (ii) Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting shall file with the Court, within 10 days thereafter, a sworn certificate stating that they have complied with this requirement;

H. That the Court, pursuant to I.R.C. § 7402, enter an order requiring all Defendants to disgorge to the United States the proceeds (the amount of which is to be determined by the Court) that they received (in the form of fees) for the preparation of tax returns that make or report false or fraudulent claims, deductions, credits, income, expenses, or other information that

resulted in the understatement of taxes prepared since 2013 at Liberty Tax Service stores owned, operated, or otherwise controlled by Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting;

I. That the Court, pursuant to I.R.C. §§ 7402, 7407, and 7408, order Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting to provide to the United States within 30 days of its order a list of the names and addresses of all individuals and entities for whom they have provided tax preparation services since January 1, 2014;

J. That the Court, pursuant to I.R.C. §§ 7402, 7407, and 7408, order Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting to provide to the United States within 30 days of its order a list of the names and addresses of all individuals whom they employed to prepare tax returns or otherwise assist in the operation of their tax preparation businesses since January 1, 2014;

K. That this Court allow the government full post-judgment discovery to monitor Defendants' compliance with the injunction;

L. That the Court retain jurisdiction over this action to enforce any permanent injunction against Defendants Steven M. Doletzky, V.J.S.D., Michael A. Garno, Michael A. Bass, and Bad Wolf Taxes & Accounting; and

M. That this Court grant the United States such additional relief as the Court deems just and appropriate.

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Dated: March 30, 2018.

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