IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA,	)	
	)	Case No. 1:17-cv-322
Plaintiff,	)	
	)	
v.	)	
	)	
KATHLEEN SIMS-CRAWFORD and	)	
KSC BUSINESS SUPPORT SERVICES, INC.,	)	
	)	
Defendants.	)	
	)	

COMPLAINT

Plaintiff, United States of America, pursuant to 26 U.S.C. ("Internal Revenue Code" or "I.R.C.") §§ 7401, 7402(a), 7407, and 7408, with the authorization and sanction, and at the request, of a delegate of the Secretary of the Treasury and at the direction of a delegate of the Attorney General, brings this action to request that an injunction be issued barring the defendants from preparing federal tax returns, engaging in the business of preparing federal tax returns, and employing any person acting as a federal tax return preparer. In support of this action, the United States alleges as follows:

Jurisdiction and Venue

1. Jurisdiction exists under 28 U.S.C. §§ 1340 and 1345, and I.R.C. §§ 7402, 7407, and 7408.

2. Venue is proper in this Court under 28 U.S.C. §§ 1391 and 1396 because Kathleen Sims-Crawford ("Sims-Crawford") resides in this judicial district and a substantial portion of the events giving rise to this action took place in this judicial district. In addition, Sims-Crawford, either individually or doing business as KSC Business Support Services, Inc. ("KSC"), has conducted and continues to conduct business in this judicial district at 33 E. 102nd

Place, Chicago, Illinois 60628.

The Defendants

A. Kathleen Sims-Crawford

3. Sims-Crawford resides in Chicago, Illinois.

4. Sims-Crawford is a high-school graduate who has taken some college-level courses, including an accounting course.

5. Sims-Crawford holds herself out as a person knowledgeable in federal income tax law, although she has never taken a formal tax preparation class.

6. From 1998 to 2004, Sims-Crawford worked as seasonal tax return preparer for a business in the Chicago area.

B. KSC Business Support Services, Inc.

7. In April 2004, Sims-Crawford opened KSC in Chicago, Illinois, and began to prepare federal tax returns.

8. On March 15, 2005, Sims-Crawford incorporated KSC as a corporation registered in Illinois.

9. Sims-Crawford is the President and sole owner and operator of KSC.

10. Sims-Crawford is the only tax return preparer at KSC.

11. KSC is open year round. KSC provides a wide range of services, including tax preparation, bookkeeping, payroll, not-for-profit accounting, resume writing, and T-shirt making.

12. During tax filing season (approximately January 1 through April 15 of each year), KSC hires workers to perform clerical tasks.

13. The Internal Revenue Service ("IRS") issues a unique Preparer Tax Identification Number ("PTIN") to all tax return preparers. Sims-Crawford is the only person working at KSC

who has a PTIN, and her name and PTIN appear on all tax returns filed by KSC.

14. Since January 1, 2012, the IRS has required any tax return preparer who anticipates preparing and filing eleven or more Forms 1040 (including Forms 1040A, 1040EZ, and 1041) during a calendar year to obtain an Electronic Filing Identification Number ("EFIN") and use IRS e-file to file returns electronically. The IRS assigns an EFIN to individuals and firms that have completed an application process and have passed a suitability check to become an authorized IRS e-file provider. Sims-Crawford applied for an EFIN for KSC, and the IRS has assigned an EFIN to KSC.

15. Between 2012 and 2016, Sims-Crawford, through KSC, prepared and filed more than 5,900 tax returns, the vast majority of which were U.S. Individual Income Tax Returns (Form 1040).

16. Sims-Crawford charges tax preparation customers $150 plus additional fees related to the schedules and forms filed, with an average fee for tax preparation of $250. She charges $500 for preparing a tax return that claims an Earned Income Credit ("EIC").

Sims-Crawford's Fraudulent Tax Preparation Activities

17. In 2014, the IRS audited 49 tax returns prepared by Sims-Crawford for tax years 2011 and 2012, and interviewed many of the customers whose returns were audited. Of the 49 returns audited, 47 required adjustment, with an average deficiency of $4,759 per tax return and collective underreporting totaling $223,657.

18. The IRS's audits of those 49 returns revealed a pattern of underreporting of tax liabilities that was attributable to Sims-Crawford. Of the 47 audited tax returns that required adjustment, 43 returns included issues related to manipulating self-employment income and/or expenses reported on Schedule C, Profit or Loss From Business, which is used to report profits

and losses from a sole proprietorship. These returns either reported large losses from Schedule C businesses, which offset income from other sources; or else reported profits of less than $20,000, which generated refundable credits and created or increased the taxpayer's refund. During audits of returns that included Schedule C businesses, multiple KSC customers reported to the IRS that they had no Schedule C business and had never told Sims-Crawford that they did.

19. During the IRS's 2014 audits, Sims-Crawford prepared and filed amended tax returns for multiple KSC customers, in which the returns were amended to remove completely Schedule C businesses.

20. The outcome of the IRS's 2014 audits led the IRS to commence a civil return-preparer investigation of Sims-Crawford and KSC in 2015. As part of this investigation, the IRS interviewed Sims-Crawford and also interviewed an additional twelve KSC customers who had their 2014 federal income tax returns prepared in 2015 by Sims-Crawford and KSC. Ten of the taxpayers interviewed in 2015 had returns containing Schedule C issues similar to those observed during the earlier audits. The returns of the twelve customers interviewed in 2015 contained a collective underreporting totaling $35,746, with an average deficiency per return of $2,978.83. Based on examination of those customers' returns and interviews with those customers, coupled with the earlier audits of 49 tax returns, the IRS determined that Sims-Crawford and KSC had engaged in a pattern and practice of violating the federal tax laws.

21. The IRS determined that Sims-Crawford underreported her customers' tax liabilities in three primary ways: (1) reporting false or inflated EIC claims; (2) preparing and filing false Schedules C; and (3) reporting false or inflated rental income and/or expenses reported on Schedule E, Supplemental Income and Loss.

22. Sims-Crawford is able to utilize these schemes by taking advantage of the fact

that most self-employment income (reported on Schedule C) and rental income (reported on Schedule E) are self-reported. There is no independent third-party reporting of most rental or self-employment income to the IRS in the same way there is for W-2 or 1099 income. (Although 1099 income is a form of self-employment income, most self-employment income—such as money received from customers in exchange for services—is not reported via Form 1099. Similarly, rental income received from individuals, as opposed to certain rental income received from a business, is not independently reported to the IRS.) Accordingly, there is no way for the IRS to verify the numbers reported on Schedules C and E without conducting an examination.

23. By using these fraudulent schemes either to obtain for KSC customers tax refunds to which they would not otherwise be entitled or to minimize customers' tax liabilities, Sims-Crawford has been able to increase the number of customers who use KSC's services and thereby to increase her profit from preparing and filing fraudulent tax returns.

24. Sims-Crawford not only underreports her customers' tax liabilities, she also tries to cover up her accountability for the underreporting by having KSC customers who report self-employment income sign two documents during the tax preparation process: a "Self-Employment Profit Loss Statement," which purports to reflect income and expenses for the Schedule C business, and an "Income Tax Self-Employment Affidavit," which is purportedly signed in the presence of a notary.

25. Sims-Crawford keeps these documents in her records, and produces them to the IRS during its examination of tax returns she prepared, purportedly to show that she exercised due diligence in preparing the Schedule C.

26. On information and belief, multiple KSC customers signed the Self-Employment Profit Loss Statement while it was blank, and did not sign the Income Tax Self-Employment

Affidavit in the presence of a notary.

Sims-Crawford Reports False or Inflated EIC Claims

27. The EIC is a refundable credit available to eligible lower-income individuals who have earned income that does not exceed a specified amount. The EIC reduces the amount of tax an eligible individual owes and can result in a refund.

28. Due to the method used to calculate the EIC, an individual can claim a larger EIC by claiming multiple dependents; and, for certain income ranges, a higher annual income entitles an individual to a larger credit. For tax year 2014, the amount of the EIC initially increased as earned income increased from $1 to a specified amount, which varied by filing status and number of dependents, and the amount of the credit then decreased as income increased beyond $17,849. Some tax return preparers refer to the range of earned income corresponding to a maximum EIC as the "sweet spot." For example, for tax year 2014, the maximum EIC for unmarried individuals was $6,143, which was available to individuals with three dependent children who earned income between $13,650 and $17,849. That same tax year, the maximum EIC for an unmarried individual with one dependent child was $3,305, which was available for individuals with earned income of $9,700 to $17,849.

29. Sims-Crawford and KSC exploit the EIC rules by inaccurately reporting self-employment income and by claiming fake dependents on customers' tax returns. In order to bring a customer's reported earned income within (or close to) the "sweet spot" for the EIC, and depending on the customer's actual wage income as reported on W-2s, Sims-Crawford and KSC have reported fake earned income, inflated or fabricated self-employment income to fraudulently increase a customer's reported earned income, and understated self-employment income to fraudulently reduce a customer's earned income.

CUSTOMER 1

30. Sims-Crawford prepared Customer 1's 2014 tax return in 2015. On this tax return, Sims-Crawford fraudulently inflated self-employment income to bring Customer 1's reported earned income within the "sweet spot" for the EIC.

31. Sims-Crawford prepared and filed a false Schedule C that listed Customer 1 as a home healthcare aide with gross receipts of $9,127 and expenses of $640, for a net income of $8,487. That Schedule C net income, plus Customer 1's W-2 wage income of $1,983, resulted in reported earned income of $10,470. For tax year 2014, $10,470 in earned income placed Customer 1 in the "sweet spot" range of income for the maximum EIC of $3,305 for an unmarried individual with one dependent.

32. Sims-Crawford fabricated the gross receipts and expenses reported on Customer 1's Schedule C. Customer 1's mother had paid her $300 every two weeks for three months (for an estimated total of $1,800) to take care of her grandfather, and she incurred no expenses related to this work. Customer 1 told Sims-Crawford how much she had been paid to help her grandfather, and, at Sims-Crawford's request, Customer 1 gave Sims-Crawford a letter from her mother stating what Customer 1 did and how much she was paid. Sims-Crawford encouraged Customer 1 to list income or expenses that were higher or lower than her actual income or expenses, and to include as self-employment any other side jobs she performed for her mother.

33. Sims-Crawford's fraudulent inflation of Customer 1's self-employment income increased the amount of the EIC Customer 1 claimed and resulted in a refund that was larger than what she was entitled to receive. Customer 1 actually had $3,783 of earned income during 2014, the combination of her W-2 and self-employment income. As an unmarried individual with one dependent and earned income of $3,783, Customer 1 was entitled to an EIC of $1,284

from her 2014 tax return. By overstating Customer 1's earned income as $10,470, Sims-Crawford nearly tripled the amount of the EIC that Customer 1 was eligible to claim. Customer 1 thus received a larger tax refund than she was entitled to as a result of Sims-Crawford's fraudulent inflation of her self-employment income.

CUSTOMER 2

34. Sims-Crawford prepared Customer 2's 2012, 2013, and 2014 tax returns in 2013, 2014, and 2015, respectively. On each of these three tax returns, Sims-Crawford fraudulently inflated Customer 2's self-employment income to maximize the EIC.

35. In each of the years 2012 to 2014, Customer 2 had two types of earned income: W-2 wage income and self-employment income from a hair-braiding business. Customer 2 had W-2 income of $1,836 in 2012, $2,189 in 2013, and $5,445 in 2014. Customer 2's actual gross receipts from her hair-braiding business were less than $5,000 each year. Even assuming Customer 2 had $5,000 in income from her hair-braiding business each of these years, Customer 2 did not earn enough from W-2 wages and self-employment to reach the "sweet spot" for the EIC. As an unmarried individual with two claimed dependents, Customer 2 was entitled to claim, at most, an EIC of $2,730 for 2012 (versus the $5,236 maximum), $2,870 for 2013 (versus the $5,372 maximum), and $4,170 for 2014 (versus the $5,460 maximum).

36. To increase the size of the EIC Customer 2 could claim, Sims-Crawford fraudulently inflated Customer 2's earned income from her hair-braiding business by overstating her gross receipts on her 2012-2014 tax returns. Sims-Crawford reported on Schedule C that Customer 2 had gross receipts from this business of $21,112 in 2012, $14,205 in 2013, and $11,210 in 2014. Sims-Crawford reported Customer 2's earned income from the business as $12,008 in 2012, $10,930 in 2013, and $9,640 in 2014, even though Customer 2 had told Sims-

Crawford that her gross receipts for each of these years were less than $5,000. Customer 2 did not provide Sims-Crawford with the Schedule C gross receipts figures that Sims-Crawford put on her 2012-2014 tax returns.

37. By fraudulently inflating Customer 2's self-employment income, Sims-Crawford boosted Customer 2's earned income so that it was in or much closer to the "sweet spot" for the EIC. On Customer 2's 2014 tax return, Sims-Crawford's overstatement of Customer 2's self-employment income put her total earned income in the "sweet spot" range, allowing her to claim the maximum of $5,460, when, as discussed above, she was entitled to at most $4,170. On Customer 2's 2012 and 2013 tax returns, Sims-Crawford's overstatement of Customer 2's earned income allowed her to claim a larger EIC than her actual earned income entitled her to. Customer 2 claimed an EIC of $4,930 for 2013 when she was entitled to at most $2,870, and $4,955 for 2012 when she was entitled to at most $2,730.

38. Sims-Crawford's fraudulent inflation of Customer 2's gross receipts from her business between 2012 and 2014 resulted in Customer 2 claiming a higher EIC and, in turn, receiving a higher tax refund than she was entitled to for each of those years.

CUSTOMER 4

39. Sims-Crawford prepared Customer 4's 2014 tax return in 2015. On this tax return, Sims-Crawford fabricated self-employment income and a dependent to allow Customer 4 to claim an EIC, which led Customer 4 to receive a refund to which she was not entitled.

40. With Customer 4's 2014 return, Sims-Crawford prepared and filed a Schedule C that reported gross receipts of $11,252 and no expenses from a home healthcare business. Customer 4's tax return reported no income except the $11,252 from her purported Schedule C business. But Customer 4 did not operate a business in 2014, has never operated any business,

and never told Sims-Crawford she operated a business. Sims-Crawford fabricated the Schedule C business on Customer 4's tax return to create the appearance of earned income that made Customer 4 eligible for an EIC.

41. If Sims-Crawford had only fabricated earned income, however, Customer 4 would not have received a refund from the EIC. As an unmarried individual with no dependents, even with earned income of $11,252, Customer 4 would have been able to claim an EIC of only $254. Such a low EIC would have been offset entirely by the self-employment tax owed, which Sims-Crawford calculated as $1,590. In fact, Customer 4 would have owed $1,336.

42. To get Customer 4 a refund from the EIC, Sims-Crawford claimed a phony dependent on Customer 4's 2014 tax return. Sims-Crawford claimed Customer 4's sister as a qualifying child on the Earned Income Credit Schedule, reporting that her sister was permanently and totally disabled and had lived with her for the entire year. However, Customer 4 never told Sims-Crawford that she provided support to her sister. Customer 4 did not provide more than half of her sister's support during 2014, and her sister did not live with her that year.

43. By adding a phony dependent to Customer 4's tax return in addition to the fake earned income, Sims-Crawford enabled Customer 4 to claim an EIC that resulted in a tax refund. As an unmarried individual claiming one dependent, Customer 4's reported $11,252 in earned income was within the "sweet spot," and she received the maximum EIC of $3,305. Customer 4 ultimately received a refund of $1,715, no part of which she was entitled to receive.

CUSTOMER 7

44. Sims-Crawford prepared Customer 7's 2014 tax return in 2015. On this tax return, Sims-Crawford underreported the income from a Schedule C business to reduce Customer 7's earned income and bring it into the "sweet spot."

45. During 2014, Customer 7 had W-2 income of $1,473 and earned income from a profitable Schedule C hair-braiding business. In 2014, Customer 7 made at least $39,000 or $40,000 from her Schedule C business. Customer 7 had expenses for her Schedule C business of approximately $1,000 in 2014, and provided Sims-Crawford with her receipt book. Despite this, Sims-Crawford prepared a Schedule C that reported gross receipts of only $16,255 and net income of $14,424—in the EIC "sweet spot," and far below Customer 7's actual Schedule C income. Based on the reported income and her two qualifying children, Customer 7 received the maximum EIC of $5,460, which resulted in a refund of $5,204.

46. Customer 7's actual earned income was far too high to qualify for an EIC of $5,460, which generated most of her refund. Instead, Customer 7 was entitled to an EIC of at most $902 based on her W-2 income of $1,473 and Schedule C net profit of at least $38,000.

47. By fraudulently underreporting Customer 7's Schedule C gross receipts, Sims-Crawford enabled Customer 7 to claim an EIC that was thousands of dollars larger than the EIC Customer 7 was entitled to claim, thereby increasing Customer 7's refund beyond what she was entitled to.

Sims-Crawford Prepares and Files False Schedules C

48. For customers who were ineligible for the EIC, Sims-Crawford also prepared and filed false Schedules C. On these forms, Sims-Crawford reported fabricated or inflated losses that could be offset against reported W-2 income, which would maximize customers' refunds or minimize their liabilities.

CUSTOMER 3

49. Sims-Crawford prepared Customer 3's 2014 tax return in 2015. On this tax return, Sims-Crawford fraudulently deflated the gross receipts Customer 3 received and inflated

the expenses he incurred related to his real estate consulting business, which she reported on Schedule C.

50. For his real estate consulting business, Customer 3 had gross receipts of $2,500 and expenses of $700 in 2014, and he verbally discussed this with Sims-Crawford during the preparation of his tax return. Based on those figures, Customer 3's tax return should have reported income of $1,800 from this Schedule C business. Sims-Crawford, however, reported that Customer 3 had zero gross receipts and expenses of $17,559, i.e., a net loss of $17,559.

51. Sims-Crawford's creation of a phony loss offset part of Customer 3's W-2 income. When coupled with a phony rental property loss Sims-Crawford created (discussed below at paragraphs 60-61), enough of Customer 3's taxable income was offset that it appeared Customer 3 had withheld too much in taxes from his W-2 income. As a result, Customer 3 received a refund of $1,570, the amount he supposedly had overpaid in withholding.

52. However, Customer 3 actually incurred no losses from his real estate consulting business or rental property that could offset his W-2 income. If Customer 3's adjusted gross income had been accurately reported as $94,984 (his W-2 income plus the profit from his real estate consulting business, minus $4,064 in losses from two other Schedule C businesses), then Customer 3 would have had a tax liability of $16,075. Subtracting the amount withheld from his W-2 wages, Customer 3 actually owed more than $9,000 in taxes. However, Sims-Crawford's fabrication of losses (both the Schedule C loss and a Schedule E real estate loss discussed below) resulted in Customer 3 receiving a refund of $1,570, no part of which he was entitled to receive.

CUSTOMERS 5 AND 6

53. Sims-Crawford prepared the 2011 and 2012 joint tax returns for Customers 5 and 6, a married couple, in 2012 and 2013, respectively.

54. For Customers 5 and 6's 2011 and 2012 tax returns, Sims-Crawford mischaracterized certain income as Schedule C self-employment income and then offset that income with losses to increase the size of the taxpayers' refund.

55. During 2011 and 2012, Customer 6 earned W-2 income, while Customer 5 derived income from a consulting business that she operated as an S-Corporation. An S-Corporation is a corporation that passes corporate income, losses, deductions, and credits through to its shareholders. An individual reports income derived from an S-Corporation on Schedules E and K-1.

56. Sims-Crawford knew Customer 5 operated an S-Corporation because she prepared and filed the Form 1120S (an S-Corporation's income tax return) for the corporation. However, rather than reporting Customer 5's income from the corporation on Schedules E and K-1, Sims-Crawford mischaracterized the income as self-employment income on Schedule C. Sims-Crawford thus reported that Customer 5 had Schedule C gross receipts of $15,795 in 2011 and $15,251 in 2012. Sims-Crawford then offset those receipts with Schedule C expenses, including expenses for the business use of Customer 5's home, supplies, a vehicle, and an office. When their returns were audited by the IRS, the taxpayers were unable to substantiate any of the expenses. The unsubstantiated expenses created Schedule C net losses of $9,722 for 2011 and $1,586 for 2012.

57. When combined with fraudulently inflated losses from rental properties (discussed below at paragraphs 62-64), the unsubstantiated losses reported on the Schedule C reduced Customers 5 and 6's taxable income. These losses, when combined with the taxpayers' itemized deductions and exemptions, reduced their taxable income so low that they owed no tax for 2011 and only $200 for 2012. As a result, for 2011, the couple received a refund of the entire

amount of taxes withheld from Customer 6's W-2 income ($7,043), and for 2012, they received a refund of nearly all of the withholding ($7,353 of $7,553 withheld).

58. Ultimately, the IRS determined that Customers 5 and 6 received refunds from their 2011 and 2012 tax returns that were larger than what they were entitled to receive by $5,656 for 2011 and $4,008 for 2012. Sims-Crawford's misuse of Schedule C (in addition to her misuse of Schedule E, as discussed below at paragraphs 62-64) caused Customers 5 and 6 to receive refunds larger than they were entitled to.

Sims-Crawford Prepares and Files False Schedules E

59. Sims-Crawford prepared and filed false Schedules E for her customers. When used legitimately, Schedule E reports supplemental income and losses, including income or losses from rental properties. The Schedules E Sims-Crawford prepares contain rental income when the taxpayer has no rental property, or else exclude rental income when the taxpayer does own rental property. The tactics employed by Sims-Crawford to falsify Schedules E generally either maximize customers' refunds or minimize their tax liabilities.

CUSTOMER 3

60. With Customer 3's 2014 tax return, Sims-Crawford prepared and filed a false Schedule E related to a purported rental property owned by Customer 3. The Schedule E reported $0 in rental income and $24,382 in rental expenses for this property. However, the property listed on Schedule E was Customer 3's personal residence, not a rental property; Customer 3 owned no rental properties in 2014. Customer 3 discussed with Sims-Crawford improvements he made to his personal residence in 2014, but he did not tell Sims-Crawford that those expenses related to a rental property or that the expenses should be included as rental property expenses on his tax return. Because Customer 3 had taxable W-2 income, the resulting

net loss fraudulently reported on Schedule E reduced his adjusted gross income, and hence his taxable income, by $24,382.

61. When combined with the fraudulent Schedule C loss (discussed above at paragraphs 49-52), the fraudulent Schedule E loss on Customer 3's tax return reduced his taxable income enough for him to receive a refund of $1,570 from the taxes that had been withheld from his W-2 income. As discussed above, Customer 3 was entitled to no part of that refund, and instead owed more than $9,000 in taxes.

CUSTOMERS 5 AND 6

62. During 2011 and 2012, Customers 5 and 6 owned rental properties from which they derived rental income and for which they incurred expenses.

63. On Customers 5 and 6's 2011 and 2012 joint tax returns, Sims-Crawford prepared and filed a false Schedule E that only reported expenses related to Customers 5 and 6's rental properties, and reported no rental income. The Schedules E reported losses of $25,000 in 2011 and $19,711 in 2012. However, Customers 5 and 6 received rental income of $23,585 in 2011 and $23,572 in 2012, and gave this information to Sims-Crawford in a detailed spreadsheet listing their income and expenses. Sims-Crawford thus overstated the losses related to Customers 5 and 6's rental properties.

64. Sims-Crawford's fraudulent inflation of losses related to Customers 5 and 6's rental properties significantly reduced the taxpayers' adjusted gross income by offsetting much of Customer 6's W-2 wages. As a result, Customers 5 and 6 reported essentially no taxable income on their 2011 and 2012 tax returns, which resulted in them owing no taxes and receiving back as a refund almost all of the taxes withheld from Customer 6's W-2 wages. As discussed above at paragraphs 53-58, the refunds Customers 5 and 6 received were too high—by $5,656

for 2011 and $4,008 for 2012.

The IRS Repeatedly Warned and Penalized Sims-Crawford of EIC Deficiencies

65. The IRS has contacted and penalized Sims-Crawford repeatedly for EIC-related deficiencies in returns that she has prepared.

A. On or about October 1, 2010, IRS employees met with Sims-Crawford in person for an EIC-due-diligence visit related to deficiencies in returns she prepared for tax year 2009. As a result of this visit, the IRS assessed a penalty of $2,500 against Sims-Crawford, pursuant to I.R.C. § 6695(g).

B. On January 6, 2012, an IRS employee met in person with Sims-Crawford for an EIC-due-diligence visit related to deficiencies in returns she prepared for tax year 2010. The visit was continued in person on February 17, April 9, April 10, and April 11 of 2012. As a result of this visit, the IRS assessed a penalty of $2,500 against Sims-Crawford, pursuant to I.R.C. § 6695(g).

C. On or about November 5, 2012, the IRS sent Sims-Crawford a letter warning her that, based on IRS review of tax returns she submitted claiming the EIC, she may have prepared inaccurate returns.

D. During 2014, while the IRS was auditing dozens of Sims-Crawford's customers, Sims-Crawford prepared and filed amended returns for at least one married couple and one individual who had been selected for audits to remove questionable Schedule C businesses from their returns.

E. On or about March 5, 2015, the IRS sent Sims-Crawford a letter warning her that the IRS had received two or more returns she prepared claiming the EIC without Form 8867, the Paid Preparer's Earned Income Credit Checklist, which can result in penalties being imposed against the preparer.

Harm to the United States

66. The fraudulent returns Sims-Crawford has prepared and filed have caused and continue to cause substantial harm to the Government by fraudulently reducing customers' reported tax liabilities, helping taxpayers to obtain refunds to which they were not entitled, and obstructing the IRS's efforts to administer the federal tax laws.

67. Sims-Crawford's fraudulent conduct, which is essentially stealing from the United States Treasury, has caused significant damage to the fisc. The IRS's audits of just 49 returns from tax years 2011 and 2012, which Sims-Crawford prepared in 2012 and 2013, show an actual harm to the United States of $223,657. The IRS's review of twelve returns from tax year 2014, which Sims-Crawford prepared in 2015, show an actual harm to the United States of $35,746. Because only a small portion of Sims-Crawford and KSC's returns have been audited or reviewed, it is most likely that the harm done to the United States exceeds $259,403.

68. The United States is also harmed because the IRS must devote some of its limited resources to investigating Sims-Crawford's conduct as a tax return preparer, detecting and examining inaccurate and fraudulent returns filed by Sims-Crawford and KSC, and attempting to assess and collect from her customers unpaid taxes and penalties, some of which may not be collectible.

69. Sims-Crawford's and KSC's customers have been harmed because they have paid Sims-Crawford and KSC to prepare tax returns, and they now face large tax deficiencies and may be liable for sizable penalties and interest as a result.

70. In addition to the direct monetary and administrative harm caused by preparing returns that understate customers' tax liabilities, this same conduct by Sims-Crawford undermines public confidence in the federal tax system and encourages noncompliance with the internal revenue laws.

71. Sims-Crawford's illegal conduct also causes intangible harm to honest tax return preparers, because by preparing returns that falsely or fraudulently inflate her customers' refunds, she and KSC gain an unfair competitive advantage over tax return preparers who prepare returns in accordance with the law and who as a result may have fewer customers.

COUNT I: Injunction under I.R.C. § 7407 for Violation of I.R.C. §§ 6694 & 6695 and for Deceptive or Fraudulent Conduct that Interferes with Revenue Code Administration

72. The United States incorporates by reference the allegations in all preceding paragraphs as though fully set forth herein.

73. Pursuant to I.R.C. § 7407, a court is authorized to enjoin a tax return preparer who, among other things, engages in conduct subject to penalty under I.R.C. § 6694 or I.R.C. § 6695, or engages in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.

74. I.R.C. § 7701(a)(36) defines a "tax return preparer" as a person who prepares for compensation, or who employs one or more persons to prepare for compensation, any return or a substantial portion thereof.

75. Sims-Crawford is a tax return preparer within the meaning of I.R.C. § 7701(a)(36).

76. I.R.C. § 6694(a) penalizes a tax return preparer if: (1) the preparer prepared a return or claim for refund that included an understatement of liability due to a position for which there was not a realistic possibility of being sustained on the merits; (2) the preparer knew (or

reasonably should have known) of such position; and (3) the position was not properly disclosed or was frivolous.

77. I.R.C. § 6694(b) penalizes a tax return preparer who prepares a return or claim with an understatement of liability: (1) in a willful attempt to understate the liability; or (2) with a reckless and intentional disregard of rules or regulations.

78. I.R.C. § 6695(g) penalizes a tax return preparer who fails to comply with due diligence requirements imposed by the Secretary of the Treasury with respect to determining eligibility for the EIC and other credits.

79. In violation of I.R.C. § 6694(a), Sims-Crawford prepared returns for customers that understated her customers' tax liabilities and that she knew or should have known contained positions for which there was no substantial authority or for which there was no reasonable basis.

80. In violation of I.R.C. § 6694(b), Sims-Crawford willfully prepared tax returns for customers that she knew contained incorrect filing statuses, fabricated dependency exemptions, false Schedule C income and expenses, and false Schedule E income and expenses, in order to understate her customers' tax liabilities.

81. In violation of I.R.C. § 6694(b), Sims-Crawford recklessly or intentionally disregarded rules and/or regulations by manipulating her customers' reported Schedule C and Schedule E income and expenses to understate her customers' tax liabilities.

82. As stated above at paragraphs 65.A-B, in 2011 and 2012, the IRS assessed two penalties of $2,500 against Sims-Crawford under I.R.C. § 6695(g) related to her failure in preparing 2009 and 2010 tax returns to comply with due diligence requirements for determining her customers' eligibility for the EIC. Despite the imposition of these penalties, Sims-Crawford continued claiming the EIC for customers without exercising the requisite due diligence.

83. Sims-Crawford also engaged in other deceptive or fraudulent conduct that substantially interfered with the administration of the internal revenue laws. Sims-Crawford has prepared false and self-serving documents—"Self-Employment Profit Loss Statements" and "Income Tax Self-Employment Affidavits"—that she submits, or intends to submit, to the IRS when customers' tax returns are examined. However, as discussed above at paragraph 26, multiple KSC customers signed a blank copy of the Self-Employment Profit Loss Statement, and did not sign the affidavit in the presence of a notary. Sims-Crawford uses these documents to attempt to obscure her own culpability for underreporting her customers' tax liabilities.

84. Anything less than a permanent injunction and complete bar on the preparation of tax returns is unlikely to stop Sims-Crawford from preparing fraudulent tax returns.

COUNT II: Injunction under I.R.C. § 7408 for Violation of I.R.C. § 6701

85. The United States incorporates by reference the allegations in paragraphs 1 through 71 as though fully set forth herein.

86. Pursuant to I.R.C. § 7408, a court is authorized to issue an injunction if an income tax return preparer engages in conduct subject to penalty under I.R.C. § 6701.

87. I.R.C. § 6701 penalizes any person who (1) aids or assists in, procures, or advises with respect to, the preparation or presentation of any portion of a return, affidavit, claim or other document; (2) 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 (3) knows that such portion (if so used) would result in an understatement of the liability for tax of another person.

88. Sims-Crawford has engaged in conduct subject to penalty under I.R.C. § 6701 by preparing and filing fraudulent tax returns on behalf of customers who obtained unwarranted refunds as a result.

89. In violation of I.R.C. § 6701, Sims-Crawford prepared returns that she knew or had reason to know would be used as to material matters under federal tax law and that she knew would result in understatements of customers' tax liability.

90. The schemes employed by Sims-Crawford and KSC have caused and continue to cause substantial harm to the United States by fraudulently reducing customers' reported tax liabilities, inducing the IRS to issue fraudulent refunds, and obstructing the IRS's efforts to administer federal tax laws.

91. The magnitude of the lost tax revenue caused by Sims-Crawford's fraudulent conduct is substantial. As discussed above, the known tax loss to the government is $259,403.

92. The United States also is harmed because the IRS must continually devote its limited resources to detecting and examining inaccurate returns filed by Sims-Crawford and KSC, and to attempting to assess and collect unpaid taxes from their customers.

93. An injunction against Sims-Crawford and KSC is necessary to appropriate to prevent the recurrence of this conduct, to subject Sims-Crawford and KSC to penalty under I.R.C. § 6701, and to prevent Sims-Crawford and KSC from engaging in any other conduct subject to penalty under the Internal Revenue Code.

COUNT III: Injunction under I.R.C. § 7402(a) for Unlawful Interference with Enforcement of the Internal Revenue Laws and Appropriateness of Injunctive Relief

94. The United States incorporates by reference the allegations in paragraphs 1 through 71.

95. Pursuant to I.R.C. § 7402(a), a court is authorized to issue orders of injunction as may be necessary or appropriate to enforce the internal revenue laws.

96. I.R.C. § 7402(a) expressly provides that its injunction remedy is "in addition to and not exclusive of" other remedies for enforcing the internal revenue laws.

97. Sims-Crawford's and KSC's activities described above substantially interfere with the enforcement of the internal revenue laws because their preparation and filing of numerous fraudulent tax returns resulted in customers not paying their true federal tax liabilities and receiving tax refunds to which they were not entitled.

98. Sims-Crawford has shown that she is not fit to prepare tax returns by deliberately playing the audit lottery on behalf of her customers. By manipulating the income and expenses on Schedules C and E, for which there is no independent third-party reporting, Sims-Crawford has selected schemes that the IRS can detect only by auditing returns or interviewing her customers, and the IRS lacks the resources to audit every return that includes these schedules. Sims-Crawford is actively subverting the American system of voluntary compliance with taxes, which relies on taxpayers to self-report their income and expenses fully and accurately.

99. Sims-Crawford also substantially interferes with the enforcement of the internal revenue laws by preparing false and self-serving documents—"Self-Employment Profit Loss Statements" and "Income Tax Self-Employment Affidavits"—that she submits, or intends to submit, to the IRS when customers' tax returns are examined. Sims-Crawford uses these documents to attempt to obscure her own culpability for underreporting her customers' tax liabilities.

100. Multiple KSC customers signed a blank version of the Self-Employment Profit Loss Statement, and did not sign the Income Tax Self-Employment Affidavit in the presence of a notary.

101. An injunction prohibiting Sims-Crawford and KSC from preparing or assisting in the preparation of tax returns is needed to stop them from preparing and filing fraudulent tax returns and to prohibit them from otherwise interfering with the proper administration and

enforcement of the internal revenue laws now and in the future.

102. If Sims-Crawford and KSC are not enjoined, the United States will suffer irreparable harm from the underpayment of taxes and the exhaustion of resources to enforce the internal revenue laws.

103. The public interest would be advanced by enjoining Sims-Crawford and KSC because an injunction will stop their illegal conduct and the harm that conduct is causing the United States Treasury and the public.

104. An injunction under I.R.C. § 7402 is necessary and appropriate, and the United States is entitled to injunctive relief under I.R.C. § 7402. The injunction, as detailed below, should bar Sims-Crawford, KSC, and anyone acting in concert with them, from preparing or filing tax returns for others, representing customers before the IRS, and from otherwise engaging in conduct that interferes with the proper administration of the internal revenue laws.

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

A. That the Court find that Sims-Crawford has continually and repeatedly engaged in conduct subject to penalty under I.R.C. §§ 6694 and 6695, and in other fraudulent or deceptive conduct that substantially interferes with the proper administration of the tax laws; that, pursuant to I.R.C. § 7407, an injunction merely prohibiting conduct subject to penalty under I.R.C. §§ 6694 and 6695, or other fraudulent or deceptive conduct, would be insufficient to prevent Sims-Crawford's interference with the proper administration of the tax laws; and that Sims-Crawford should be permanently enjoined from acting as a tax return preparer;

B. That the Court find that Sims-Crawford has engaged in conduct subject to penalty under I.R.C. § 6701, and that injunctive relief under I.R.C. § 7408 is appropriate to prevent a recurrence of that conduct;

C. That the Court find that Sims-Crawford has interfered with the enforcement of the internal revenue laws and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to I.R.C. § 7402(a) under the Court's inherent equity powers;

D. That this Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter a permanent injunction enjoining Sims-Crawford, her officers, agents, servants, employees, and attorneys, and anyone in active concert or participation with her or with them, from directly or indirectly:

i. Preparing or assisting in the preparation of federal tax returns, amended returns, and other related documents and forms for anyone other than herself;

ii. Advising, counseling, or instructing anyone about the preparation of a federal tax return;

iii. Filing or assisting in the filing of a federal tax return for anyone other than herself;

iv. Owning, managing, controlling, working for, or volunteering for a tax-return preparation business;

v. Advertising tax return preparation services through any medium, including the internet and social media;

vi. Maintaining, assigning, holding, using, or obtaining a Preparer Tax Identification Number (PTIN) or an Electronic Filing Identification Number (EFIN);

vii. Representing customers in connection with any matter before the IRS;

viii. Employing any person to work as a federal income tax return preparer;

ix. Referring any customer to a tax preparation firm or a tax return preparer, or otherwise suggesting that a customer use any particular tax preparation firm or tax return preparer; and/or

x. Engaging in any conduct that substantially interferes with the administration and enforcement of the internal revenue laws.

E. That this Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter a permanent injunction enjoining Sims-Crawford, her officers, agents, servants, employees, and attorneys, and anyone in active concert or participation with her or with them, from directly or indirectly operating KSC as a going business that prepares federal tax returns and from advertising KSC in print, online, and/or via social media as a business that prepares federal tax returns;

F. That this Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter a permanent injunction enjoining KSC from engaging in the business of, or employing any person to engage in the business of:

i. Preparing or assisting in the preparation of federal tax returns, amended returns, and other related documents and forms;

ii. Advising, counseling, or instructing anyone about the preparation of a federal tax return;

iii. Filing or assisting in the filing of a federal tax return;

iv. Advertising tax return preparation services through any medium, including the internet and social media;

v. Maintaining, assigning, holding, using, or obtaining a Preparer Tax Identification Number (PTIN) or an Electronic Filing Identification Number (EFIN);

vi. Representing customers in connection with any matter before the IRS;

vii. Referring any customer to a tax preparation firm or a tax return preparer, or otherwise suggesting that a customer use any particular tax preparation firm or tax return preparer; and/or

viii. Engaging in any conduct that substantially interferes with the administration and enforcement of the internal revenue laws.

G. That the Court enter an order requiring Sims-Crawford to post a copy of its permanent injunction in the area of her residence where she conducts business as KSC.

H. That the Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter an order requiring Sims-Crawford to produce to counsel for the United States, within 30 days of the Court's order, a list that identifies by name, social security number, address, e-mail address, and telephone number and tax period(s) all persons for whom she or KSC prepared federal tax returns or claims for a refund, for processing years beginning in 2012 and continuing through this litigation;

I. That the Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter an order requiring Sims-Crawford, 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 she or KSC has prepared federal tax returns, amended tax returns, or claims for refund since January 2012, as well as all employees or independent contractors she or KSC has had since January 2012, and to inform them of the permanent injunction entered against her by sending each of them a copy of the order of permanent injunction, with no other enclosures unless approved by the Department of Justice or the Court;

J. That the Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter an order requiring Sims-Crawford, within 45 days of receiving the Court's order, to file a declaration, signed under penalty of perjury, confirming that she has received a copy of the Court's order and complied with the terms described in Paragraphs H and I of this Complaint;

K. That this Court permit the United States to conduct post-judgment discovery to ensure Sims-Crawford and KSC's compliance with the permanent injunction;

L. That this Court retain jurisdiction over Sims-Crawford and over this action to enforce any injunction entered against her and/or KSC; and

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M. That this Court grant the United States such other relief as the Court deems appropriate.

Dated: January 17, 2017

Respectfully submitted,

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