

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

UNITED STATES OF AMERICA, )  
)  
Plaintiff, )  
)  
v. )  
)  
SMART ILESANMI AJAYI, )  
individually and doing business as ) Case No. 3:19-cv-00476  
HARPLET MARKETING, LLC, )  
TOPPS TAX SERVICES, and )  
SMART TAX SERVICES, )  
and JOANN VILLARREAL, )  
)  
Defendants. )

**COMPLAINT FOR PERMANENT INJUNCTION**

The United States brings this civil action under §§ 7402(a), 7407, and 7408 of the Internal Revenue Code (26 U.S.C.) to permanently enjoin Defendants Smart Ilesanmi Ajayi, individually and doing business as Harplet Marketing, LLC, Topps Tax Services, and Smart Tax Services (collectively, “Ajayi”), JoAnn Villarreal, and anyone else in active concert or participation with Ajayi from:

- a. acting as a federal tax return preparer, or requesting, assisting in, or directing the preparation or filing of federal tax returns (including amended returns) or other related documents or forms, for any person or entity other than themselves;
- b. using, renewing, or obtaining any Preparer Tax Identification Numbers (“PTIN(s)”) and Electronic Filing Identification Numbers (“EFIN(s)”);
- c. engaging in any conduct subject to penalty under 26 U.S.C. §§ 6694, 6695, 6701, or any other penalty provision of the Internal Revenue Code; and

- d. engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

The United States alleges as follows:

### **Jurisdiction and Venue**

1. This action is authorized and requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury of the United States, pursuant to 26 U.S.C. §§ 7407 and 7408, and is commenced at the direction of the Attorney General of the United States.

2. The Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. § 7402(a).

3. Venue is proper in this Court under 28 U.S.C. § 1391 and 26 U.S.C. §§ 7407(a) and 7408(a) because Ajayi and Villarreal each reside in Grand Prairie, Texas, which is within this judicial district.

### **Ajayi's Tax-Preparation Businesses**

4. Ajayi is the sole shareholder of Harplet Marketing, LLC, an S Corporation, through which he operates Topps Tax Services and Smart Tax Services. Smart Tax Services has three storefronts, two in Grand Prairie, Texas, and one in Arlington, Texas.

5. Ajayi prepares federal income tax returns for compensation and has been doing so since at least 2010. Ajayi has individuals that assist him in his tax preparation businesses, including the preparation of tax returns.

6. Ajayi is a "tax return preparer" under 26 U.S.C. § 7701(a)(36), but he is not an attorney or certified public accountant.

7. Villarreal is a supervisor and tax return preparer at Smart Tax Services.

8. Villareal is a “tax return preparer” under 26 U.S.C. § 7701(a)(36), but she is not an attorney or certified public accountant.

9. Defendants have repeatedly prepared returns that report fake deductions for charitable donations and business losses.

10. Defendants have personally fabricated such false positions. They are not merely reporting information provided to them by their customers.

11. Since 2013, taxpayers have filed complaints with the IRS against Ajayi claiming that he provides fake charity receipts for Schedule A (Itemized Deductions) noncash charitable contributions, and that Ajayi put false information on a taxpayer’s return and filed it without the taxpayer’s permission. Taxpayers have also filed complaints against Ajayi’s associates claiming that they included tens of thousands of dollars of fabricated donations on their returns.

**Description of Ajayi’s Unlawful Tax-Preparation Activity**

12. For years, Ajayi has continually and repeatedly prepared federal tax returns that he knew, or should have known, contained:

- a. Fabricated or inflated deductions on Schedule A in the form of noncash charitable deductions; and
- b. Fabricated or inflated businesses losses on Schedule C (Profit or Loss from Business).

***Fabricated or inflated noncash charitable deductions on Schedule A***

13. As set forth in the chart below, in 2016, Ajayi prepared 260 federal income tax returns for tax year 2015, of which 183 claimed Schedule A Itemized Deductions. Of those 183 tax returns, 171 claimed noncash charitable deductions. Consequently, 65.8% of the returns Ajayi prepared contain Schedule A noncash charitable deductions averaging \$17,505. The average, reported adjusted gross income (“AGI”) on those 171 returns was \$50,908.

14. As set forth in the chart below, in 2017, Ajayi prepared 290 federal income tax returns for tax year 2016, of which 219 claimed Schedule A Itemized Deductions. Of those 219 tax returns, 209 claimed noncash charitable deductions. Consequently, 72.1% of the returns Ajayi prepared contain Schedule A noncash charitable deductions averaging \$20,805. The average, reported AGI on those 209 returns was \$58,508.

Processing Year	No. of Returns Prepared	No. of Returns Claiming Schedule A Itemized Deductions	No. of Returns Claiming Noncash Charitable Deductions	Percent of Returns Claiming Noncash Charitable Deductions	Average Noncash Charitable Deduction Claimed	Average Reported AGI
2016	260	183	171	65.8%	\$17,505	\$50,908
2017	290	219	209	72.1%	\$20,805	\$58,508

15. Ajayi fabricated or inflated noncash charitable deductions on his customers' Forms 8283 (Noncash Charitable Contributions), which ultimately result in Schedule A Itemized Deductions. For example, Customer 1 stated that he did not have any receipts for noncash charitable contributions, and that he did not have any knowledge about the \$24,443 and \$24,935 of noncash charitable contributions claimed on his 2015 and 2016 tax returns prepared by Ajayi. Customer 1's reported AGI for 2015 was \$54,911 and for 2016 was \$81,936.

16. Customer 2 stated that he had not made any charitable contributions, did not have any receipts for charitable contributions, and had not discussed charitable contributions with Ajayi; nevertheless, Customer 2's 2015 tax return prepared by Ajayi claimed \$9,881 in noncash charitable contributions. Customer 2's reported AGI for 2015 was \$37,983.

17. Customer 3 stated that while she and her husband had made contributions (mostly clothes) to Goodwill Stores, Inc. ("Goodwill"), she confirmed it was not the \$24,809 and \$24,827 claimed on her 2015 and 2016 tax returns prepared by Ajayi, and that she did not know how Ajayi came up with these amounts because he did not ask her about the contributions.

Notably, on her 2015 and 2016 tax returns, the donee organization was listed as Paralyzed Veteran of America, not Goodwill to which she actually made noncash charitable contributions. Customer 3's reported AGI for 2015 was \$107,443 and for 2016 was \$106,072.

18. Customer 4 stated that he made no charitable contributions in 2015 or 2016; yet, his 2015 and 2016 tax returns prepared by Ajayi reported \$9,874 and \$4,896 in noncash charitable contributions, respectively. Customer 4 provided Ajayi Forms W-2, interest calculation from a Certificate of Deposit ("CD"), and house payment records. The only document he filled out for Ajayi was a form to confirm his name and address. Ajayi did not ask Customer 4 any questions. Customer 4's reported AGI for 2015 was \$38,045 and for 2016 was \$38,148.

19. Customer 5's 2015 tax return prepared by Ajayi reported \$9,731 in noncash charitable contributions; however, Customer 5 confirmed this contribution was not true and he did not remember Ajayi asking him any questions about contributions. The only documents Customer 5 gave Ajayi were his social security card, driver's license, and Forms W-2. Customer 5's reported AGI for 2015 was \$26,100.

20. Customer 6 confirmed that she made no charitable contributions to Goodwill and was surprised to learn that her 2015 and 2016 tax returns prepared by Ajayi reported \$17,557 and \$19,940, respectively, in noncash charitable contributions to Goodwill. Customer 6's reported AGI for 2015 was \$37,639 and for 2016 was \$52,031.

21. When Customer 7 asked Ajayi about the noncash charitable deductions claimed on her returns (\$19,410 in 2015 and \$14,848 in 2016), he told her that his company makes contributions and that allows him to put contributions on their customers' returns. Customer 7 confirmed that she did not make any charitable contributions and she did not know where the

amount of the noncash charitable contributions came from. Customer 7's reported AGI for 2015 was \$45,551 and for 2016 was \$48,354.

22. Customer 8 confirmed that he did not make any noncash charitable contributions in 2015 or 2016, that there was no discussion with Ajayi about noncash charitable contributions, and he does not know how Ajayi came up with the \$16,136 and \$8,835 claimed in noncash charitable contributions on his 2015 and 2016 tax returns, which were prepared by Ajayi. Customer 8's reported AGI for 2015 was \$52,641 and for 2016 was \$51,227.

23. Customer 9's 2016 tax return prepared by Ajayi reported \$24,893 in noncash charitable contributions to Goodwill, despite the fact that she and her husband did not make any contributions to, or provide any receipts for, Goodwill, she had no discussion regarding charitable contributions with Ajayi, and she has no idea how the value was determined. Customer 9's reported AGI for 2016 was \$49,397.

24. Customer 10's 2016 tax return prepared by Ajayi reported \$19,759 in noncash charitable contributions to Goodwill; however, Customer 10 confirmed he made no contributions to Goodwill, had no discussion with Ajayi regarding charitable contributions, and has no idea how Ajayi came up with the value. Customer 10's reported AGI for 2016 was \$34,027.

25. Customers 1-10 received refunds to which they were not entitled based on these fabricated or inflated noncash charitable deductions.

***Fabricated or inflated Schedule C business losses***

26. As set forth in the chart below, in 2016, Ajayi prepared 260 federal income tax returns for tax year 2015, of which 77 claimed business losses on Schedule C. Consequently, 29.6% of the returns Ajayi prepared contain Schedule C business losses averaging \$9,590. The

average reported AGI on those 77 returns was \$38,100.

27. As set forth in the chart below, in 2017, Ajayi prepared 290 federal income tax returns for tax year 2016, of which 46 claimed business losses on Schedule C. Consequently, 15.9% of the returns Ajayi prepared claimed Schedule C business losses averaging \$11,726. The average, reported AGI on those 46 returns was \$32,073.

Processing Year	No. of Returns Prepared	No. of Returns Claiming Schedule C Business Losses	Percent of Returns Claiming Schedule C Business Losses	Average Schedule C Business Loss Claimed	Average Reported AGI
2016	260	77	29.6%	(\$9,590)	\$38,100
2017	290	46	15.9%	(\$11,726)	\$32,073

28. Ajayi fabricated Schedule C business losses on his customers’ returns. For example, Customer 11’s 2015 tax return claimed a \$22,073 Schedule C business loss for his purported business of “Automotive services and Repairs;” however, Customer 11 stated that he was not self-employed, did not repair cars as a side business, and had no idea why this business was on his return. Customer 11’s reported AGI for 2015 was \$22,734, after the purported Schedule C business loss was deducted.

29. Customer 5’s 2015 tax return prepared by Ajayi claimed a Schedule C business loss of \$12,831 for his purported business of “healthcare delivery”; however, Customer 5 does not have a business outside of his employment and does not know why his 2015 tax return reported a Schedule C business loss. The only documents Customer 5 provided were his social security card, driver’s license, and Forms W-2. Customer 5’s reported AGI for 2015 was \$26,100, after the purported Schedule C business loss was deducted.

30. Customer 15’s 2015 tax return claimed a \$15,234 Schedule C business loss for her purported business of “Door to Door Sales,” despite the fact that she was never self-

employed or even asked by Ajayi if she had a business. Customer 15's reported AGI for 2015 was \$27,196, after the purported Schedule C business loss was deducted.

31. Customer 13's 2016 tax return prepared by Ajayi reported a \$9,096 Schedule C business loss from his purported business of "Hardware Repairs." Customer 13 is not self-employed and has no idea why this business is on his 2016 tax return. The only document Customer 13 remembers providing Ajayi was his Form W-2. Customer 13's reported AGI for 2016 was \$34,162, after the purported Schedule C business loss was deducted.

32. Customers 11, 5, 15, and 13 received refunds to which they were not entitled based on these fabricated Schedule C business losses.

#### **Description of Villarreal's Unlawful Tax-Preparation Activity**

33. For years, Villarreal has continually and repeatedly prepared federal tax returns that she knew, or should have known, contained:

- a. Fabricated or inflated deductions on Schedule A in the form of noncash charitable deductions; and
- b. Fabricated or inflated businesses losses on Schedule C.

34. Rather than use her own PTIN to prepare returns, Villarreal used the PTIN of Tiffany Martinez to prepare tax returns in violation of 26 U.S.C. § 6109(a)(4) and is subject to penalty under 26 U.S.C. § 6695(c).

35. Martinez worked as a receptionist for Smart Tax Service for two or three weeks in 2016. She was paid in cash. Martinez never prepared a return. Instead, she only began training to prepare returns. Despite this, 448 tax returns were filed listing Martinez as the tax preparer for processing year 2016. When informed that there were over 400 returns with her name as tax preparer, Martinez stated that this was "impossible."

36. On January 11, 2016, an IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal form was filed for Martinez. The personal mailing address listed for Martinez was that of Villarreal. Martinez did not recall filling out an application for a PTIN.

37. As noted above, Martinez only worked at Smart Tax Service for two or three weeks; however, on January 7, 2017, another IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal form was filed for Martinez to renew her PTIN for 2017. Once again, the mailing address listed for Martinez was that of Villarreal. Despite the fact that Martinez was no longer working at Smart Tax Service, 436 tax returns were filed listing her as the tax preparer for processing year 2017.

38. Customer 20 stated that Villarreal prepared her and her husband's 2015 and 2016 federal income tax returns, nevertheless both returns list Martinez as the tax preparer. Villarreal told Customer 20 that she shared an office with Martinez and the printer had just printed Martinez's name on the tax returns.

39. Customers 12 and 14 stated that Villarreal prepared their returns; however, both of their 2015 and 2016 tax returns list Martinez as the tax preparer.

40. Customers 16, 21, 22, 23, and 24 stated that Villarreal prepared their 2016 tax return, yet once again, the tax preparer listed was Martinez.

41. There are no federal income tax returns listing Villarreal as the tax preparer for processing year 2016 or 2017, despite the fact that customers identified Villarreal as their tax preparer during processing years 2016 and 2017.

***Fabricated or inflated noncash charitable deductions on Schedule A***

42. Since processing year 2016, Villarreal has continually and repeatedly prepared federal tax returns that she knew, or should have known, contained fabricated or inflated

Itemized Deductions on Schedule A in the form of noncash charitable deductions.

43. As set forth in the chart below, in 2016, Villarreal prepared 448 federal income tax returns for tax year 2015, of which 334 claimed Schedule A Itemized Deductions.<sup>1</sup> Of those 334 tax returns, 284 claimed noncash charitable deductions. Consequently, 63.4% of the returns Villarreal prepared contain Schedule A noncash charitable deductions averaging \$17,972. The average, reported AGI on those 284 returns was \$39,152.

44. As set forth in the chart below, in 2017, Villarreal prepared 436 federal income tax returns for tax year 2016, of which 331 claimed Schedule A Itemized Deductions.<sup>2</sup> Of those 331 tax returns, 306 claimed noncash charitable deductions. Consequently, 70.2% of the returns Villarreal prepared contain Schedule A noncash charitable deductions averaging \$20,145. The average, reported AGI on those 306 returns was \$43,955.

45. As set forth in the chart below, in 2018, Villarreal prepared 387 federal income tax returns for tax year 2017, of which 302 claimed Schedule A Itemized Deductions. Of those 302 tax returns, 285 claimed noncash charitable deductions. Consequently, 73.6% of the returns Villarreal prepared contain Schedule A noncash charitable deductions averaging \$17,244. The average, reported AGI on those 285 returns was \$53,162.

Processing Year	No. of Returns Prepared	No. of Returns Claiming Schedule A Itemized Deductions	No. of Returns Claiming Noncash Charitable Deductions	Percent of Returns Claiming Noncash Charitable Deductions	Average Noncash Charitable Deduction Claimed	Average Reported AGI
2016	448	334	284	63.4%	\$17,972	\$39,152
2017	436	331	306	70.2%	\$20,145	\$43,955
2018	387	302	285	73.6%	\$17,244	\$53,162

<sup>1</sup> These 448 tax returns list Tiffany Martinez as the tax preparer; however, as detailed in paragraphs 32-39, the United States alleges that these tax returns were actually prepared by Villarreal.

<sup>2</sup> These 436 tax returns list Tiffany Martinez as the tax preparer; however, as detailed in paragraphs 32-39, the United States alleges that these tax returns were actually prepared by Villarreal.

46. Villarreal fabricated or inflated noncash charitable deductions on her customers' returns. For example, Customer 14's 2015 and 2016 tax returns reported \$23,815 and \$24,834 in noncash charitable deductions to Goodwill. While he informed Villarreal that he made donations to his church (but not regularly), he did not have any receipts for noncash charitable contributions and Customer 14 has no idea how Villarreal came up with these values. Customer 14's reported AGI for 2015 was \$61,302 and for 2016 was \$62,039.

47. Customer 20's 2015 and 2016 tax returns reported \$19,528 and \$24,832 in noncash charitable deductions. While Customer 20 provided donation receipts to Villarreal of the household items she donated, the receipts did not have the values of the items donated. Customer 20 did not provide Villarreal with a value of the items donated and Villarreal did not ask her any questions about the value of the items donated. Customer 20's reported AGI for 2015 was \$93,726 and for 2016 was \$89,875.

48. Customer 26's 2015 and 2016 tax returns reported \$34,211 and \$24,850 in noncash charitable deductions. While Customer 26 donated some clothes, toys and furniture, he does remember any discussion regarding the value to place on the items, and he did not bring in any receipts for these donations. He has no idea what these donations were worth, but it was certainly less than the amount reported on the returns. Customer 26's reported AGI for 2015 was \$66,328 and for 2016 was \$51,759.

49. Customer 12's 2016 tax return claimed \$24,884 in noncash charitable contributions; however, Customer 12 confirmed that she did not provide any receipts for noncash charitable contributions, did not know how the value was determined, and Villarreal did not tell her anything about the contribution deduction. Customer 12's reported AGI was \$32,603 for tax year 2016. Customer 12 confirmed that Villarreal prepared her tax return for

2016, even though the tax preparer listed is Martinez.

50. Customer 21 gave Villarreal a few receipts for contributions for the kitchenware, glasses, and household items they donated in 2016. Villarreal asked what was donated and how many boxes of clothes they had. Customer 21 and Villarreal did not discuss the value of the items donated; nevertheless, Villarreal reported \$24,790 of noncash charitable deductions on Customer 21's 2016 tax return. Customer 21 confirmed that this amount was overstated. Although Customer 21's 2016 tax return lists Martinez as the tax preparer, Customer 21 stated that Villarreal actually prepared her and her husband's return. Customer 21's reported AGI for 2016 was \$38,880.

51. Customer 22's 2016 tax return prepared by Villarreal reported \$19,863 in noncash charitable deductions. Customer 22 was not sure how Villarreal came up with \$19,863 because his only donations are to the church and he did not make many donations because he and his wife "barely get by each month." Although Customer 22's 2016 tax return lists Martinez as the tax preparer, Customer 22 stated that Villarreal has prepared his return for the last three years. Customer 22's reported AGI for 2016 was \$31,617.

52. Customer 23's 2016 tax return prepared by Villarreal reported \$24,936 in noncash charitable deductions; however, while Customer 23 normally makes noncash charitable contributions every year (usually clothes), Customer 23 does not remember being asked how much was donated and does not know how Villarreal determined the value. Although Customer 23's 2016 tax return lists Martinez as the tax preparer, Customer 23 stated that Villarreal prepared her 2016 tax return. Customer 23's reported AGI for 2016 was \$105,410.

53. Customer 24's 2016 tax return prepared by Villarreal reported \$24,835 in noncash charitable deductions; however, Customer 24 and his wife confirmed that they did not make any

charitable deductions, did not provide any contribution records, and did not discuss noncash donations with Villarreal. Although Customer 24's 2016 tax return lists Martinez as the tax preparer, Customer 24 stated that Villarreal prepared his and his wife's 2016 tax return. Customer 24's reported AGI for 2016 was \$76,334.

54. Customer 25's 2016 tax return prepared by Villarreal reported \$24,900 in noncash charitable deductions; yet, Customer 25 stated that he did not make noncash contributions, there was no discussion about noncash contributions, and he has no idea how the value of these noncash charitable deductions was determined. Customer 25's reported AGI for 2016 was \$56,823.

55. Customer 16 provided Villarreal with receipts from Goodwill for noncash contributions of clothing, shoes and furniture. There was no appraisal of the items. Customer 16 estimated that her noncash contributions to Goodwill were worth around \$250, yet the noncash charitable contributions claimed on her 2016 and 2017 tax returns exceeded \$19,000. When Customer 16 discovered these amounts, she exclaimed "Oh no!" Customer 16's reported AGI for 2016 was \$24,689 and for 2017 was \$33,855.

56. Customer 17 stated that he and his wife did not make any noncash charitable contributions in 2017 (to Goodwill or otherwise) and that Villarreal did not ask about noncash charitable contributions; yet, his 2017 tax return prepared by Villarreal claimed almost \$24,000 in noncash charitable contributions. Customer 17's reported AGI for 2017 was \$64,433.

57. Villarreal prepared a 2017 tax return for Customer 18 claiming over \$23,000 in noncash charitable contributions; but Customer 18 stated that Villarreal did not ask about noncash contributions, and that he did not provide any receipts or values for the contributions. While Customer 18 does donate to Goodwill (toys and clothes), he did not donate over \$23,000

and the items listed on the Form 8283 (Noncash Charitable Contributions) were not what he donated. Customer 18’s reported AGI for 2017 was \$57,526.

58. Customers 14, 20, 26, 12, 21-25, and 16-18 received refunds to which they were not entitled based on these fabricated or inflated noncash charitable deductions.

***Fabricated or inflated Schedule C business losses***

59. As set forth in the chart below, in 2016, Villarreal prepared 448 federal income tax returns for tax year 2015, of which 209 claimed business losses on Schedule C.<sup>3</sup> Consequently, 46.7% of the returns Villarreal prepared contain Schedule C business losses averaging \$12,750. The average, reported AGI on those returns was \$30,517.

60. In 2017, Villarreal prepared 436 federal income tax returns for tax year 2016, of which 138 claimed business losses on Schedule C.<sup>4</sup> Consequently, 31.7% of the returns Villarreal prepared claimed Schedule C business losses averaging \$12,506. The average, reported AGI on those returns was \$35,610.

Processing Year	No. of Returns Prepared	No. of Returns Claiming Schedule C Business Losses	Average Schedule C Business Loss Claimed	Average Reported AGI	Percent of Returns Claiming Schedule C Business Losses
2016	448	209	(\$12,750)	\$30,517	46.7%
2017	436	138	(\$12,506)	\$35,610	31.7%

61. Villarreal fabricated Schedule C business losses on her customers’ returns. For example, Customer 14’s 2016 tax return prepared by Villarreal reported a \$12,580 Schedule C business loss for his purported business of “landscaping;” Customer 14 stated that neither he nor

<sup>3</sup> These 448 tax returns list Tiffany Martinez as the tax preparer; however, as detailed in paragraphs 32-39, the United States alleges that these tax returns were actually prepared by Villarreal.

<sup>4</sup> These 436 tax returns list Tiffany Martinez as the tax preparer; however, as detailed in paragraphs 32-39, the United States alleges that these tax returns were actually prepared by Villarreal.

his spouse have a business, he has never had a landscaping business, and he has no idea why this Schedule C business loss is on the return. Customer 14's reported AGI for 2016 was \$62,039, after the purported Schedule C business loss was deducted.

62. Customer 19's 2017 tax return reported a Schedule C business loss of \$23,596 for her husband's purported business of "Machine Operator;" however, her husband does not have a business, he had only worked for employers, and Villarreal did not ask if she or her husband had a business. Customer 19's reported AGI for 2017 was \$50,150, after the purported Schedule C business loss was deducted.

63. Customers 14 and 19 received refunds to which they were not entitled based on these fabricated Schedule C business losses.

#### **Harm Caused by Ajayi's and Villarreal's Unlawful Tax-Preparation Activities**

64. Customers of Ajayi and Villarreal are harmed by their behavior because they pay them to prepare proper tax returns and they do not do so. Because Ajayi and Villarreal understate many of their customers' federal income tax liabilities, those customers may face assessments for tax deficiencies, interest, and penalties.

65. Ajayi's and Villarreal's conduct also harms the United States because their customers' understated tax liabilities result in lost tax revenue. The IRS estimated the tax loss for 2016 and 2017 could be in the millions of dollars.

66. The conduct of Ajayi and Villarreal also harms the United States because the IRS must devote resources to identifying and examining the tax returns of their customers; ascertaining their correct tax liabilities; collecting any taxes, interest, and penalties they owe; and recovering any tax refunds erroneously issued to them.

67. The conduct of Ajayi and Villarreal also harms legitimate tax return preparation

businesses.

**Count I**  
**Injunction under 26 U.S.C. § 7407**

68. The United States incorporates by reference the allegations in paragraphs 1 through 67.

69. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin a tax return preparer from, among other things, engaging in conduct subject to penalty under 26 U.S.C. § 6694 or § 6695, or engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws, if the court finds that the preparer has engaged in such conduct and that injunctive relief is appropriate to prevent the recurrence of such conduct.

70. Additionally, Section 7407 provides that if the court finds that a tax return preparer has continually or repeatedly engaged in such conduct, and that an injunction prohibiting only such conduct would not be sufficient to prevent that person's interference with the proper administration of the Internal Revenue Code, then the court may enjoin the person from further acting as a tax return preparer.

71. Section 6694 of the Internal Revenue Code imposes a penalty on any tax return preparer who prepares any return or claim for refund with respect to which any part of an understatement of liability is due to (a) an unreasonable position of which the preparer knew or reasonably should have known, (b) a willful attempt to understate the liability, or (c) a reckless or intentional disregard of rules or regulations.

72. Section 6695(c) of the Internal Revenue Code imposes a penalty on any tax return preparer who fails to furnish an identifying number for securing proper identification of the preparer.

73. Ajayi and Villarreal have continually and repeatedly engaged in conduct subject to penalty under § 6694 by preparing federal income tax returns that understate their customers' liabilities based on unreasonable, unrealistic, and frivolous positions of which they knew or should have known, as well as their reckless disregard of rules or regulations.

74. Ajayi and Villarreal have continually and repeatedly engaged in fraudulent or deceptive conduct that substantially interferes with tax law administration by understating their customers' tax liabilities through false or inflated deductions.

75. Villarreal has continually and repeatedly engaged in conduct subject to penalty under § 6695(c) by failing to furnish her PTIN on the returns she prepared for her customers in 2016 and 2017.

76. If the Court does not enjoin Ajayi and Villarreal, they are likely to continue engaging in conduct subject to penalty under § 6694 and § 6695, as well as engaging in other fraudulent or deceptive conduct that substantially interferes with tax law administration. Ajayi's and Villarreal's preparation of returns claiming improper deductions has been continuing since processing year 2016 and is widespread over many customers.

77. Injunctive relief is therefore appropriate under § 7407.

78. The continuing and repetitive nature of Ajayi's and Villarreal's misconduct demonstrates that a narrow injunction prohibiting only specific conduct would be insufficient to prevent them from continuing to interfere with the proper administration of the tax laws. Thus, the Court should permanently enjoin Ajayi and Villarreal from acting as tax return preparers.

**Count II**  
**Injunction under 26 U.S.C. § 7408**

79. The United States incorporates by reference the allegations in paragraphs 1 through 67.

80. Section 7408 of the Internal Revenue Code authorizes a district court to enjoin any person from engaging in conduct subject to penalty under 26 U.S.C. § 6701 (among other provisions) if injunctive relief is appropriate to prevent the recurrence of such conduct.

81. Section 6701 of the Internal Revenue Code imposes a penalty on any person who aids or assists in, procures, or advises with respect to, the preparation or presentation of a federal tax return or refund claim, knowing (or having reason to believe) that it will be used in connection with any material matter arising under the internal revenue laws and knowing that, if it is so used, it would result in an understatement of another person's tax liability.

82. Ajayi and Villarreal prepare federal tax returns for their customers that they know (or have reason to believe) will be filed with the IRS and that they know will understate the customers' tax liabilities because they knowingly prepare returns that claim false or inflated deductions. Ajayi's and Villarreal's conduct is thus subject to penalty under § 6701.

83. If the Court does not enjoin Ajayi and Villarreal, they are likely to continue to engage in conduct subject to penalty under § 6701. Ajayi's and Villarreal's preparation of returns claiming improper deductions has been continuing since processing year 2016 and is widespread over many customers.

84. Injunctive relief is therefore appropriate under § 7408.

**Count III**  
**Injunction under 26 U.S.C. § 7402(a)**

85. The United States incorporates by reference the allegations in paragraphs 1 through 67.

86. Section 7402(a) of the Internal Revenue Code authorizes a district court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

87. Through the actions described above, Ajayi and Villarreal have engaged in conduct that substantially interferes with the enforcement of the internal revenue laws.

88. Unless enjoined, Ajayi and Villarreal are likely to continue to engage in such conduct and interfere with the enforcement of the internal revenue laws.

89. If Ajayi and Villarreal are not enjoined from engaging in such conduct, the United States will suffer irreparable injury by mistakenly providing federal income tax refunds to individuals not entitled to receive them, as well as expending time and resources to identify the individuals, determine their proper federal tax liabilities, and recover the erroneous refunds from them, if possible.

90. Enjoining Ajayi and Villarreal from engaging in such conduct is in the public interest because an injunction, backed by the Court's contempt powers, is likely to stop Ajayi's and Villarreal's illegal conduct and the harm it causes to their customers and the United States.

91. The Court should thus grant injunctive relief under § 7402(a).

WHEREFORE, the United States of America requests the following:

- A. That the Court find that Ajayi and Villarreal have continually or repeatedly engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 and/or 6695 and continually or repeatedly engaged in fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws;
- B. That the Court find that injunctive relief under 26 U.S.C. § 7407 is appropriate to prevent the recurrence of such conduct and that a narrower injunction prohibiting only this specific misconduct would not be sufficient to prevent Ajayi and Villarreal's interference with the proper administration of the internal revenue laws;

- C. That the Court find that Ajayi and Villarreal have engaged in conduct subject to penalty under 26 U.S.C. § 6701 and that injunctive relief under 26 U.S.C. § 7408 is appropriate to prevent the recurrence of such conduct;
- D. That the Court find that Ajayi and Villarreal have engaged in conduct that substantially interferes with the enforcement of the internal revenue laws and that injunctive relief is necessary and appropriate to prevent the recurrence of such conduct pursuant to the Court's inherent equity powers and 26 U.S.C. § 7402(a);
- E. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter a permanent injunction prohibiting Ajayi and Villarreal, and all those in active concert or participation with them, from:
- a. acting as a federal tax return preparer, or assisting in or directing the preparation or filing of federal tax returns (including amended returns) or other related documents or forms for any person or entity other than themselves;
  - b. using, renewing, or obtaining any PTIN(s) and EFIN(s);
  - c. engaging in any conduct subject to penalty under I.R.C. §§ 6694, 6695, 6701, or any other section of the Internal Revenue Code; and
  - d. engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.
- F. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter an order requiring Ajayi and Villarreal, 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 prepared federal tax returns, amended returns, or claims for refund for tax years 2015 through 2018, and to

inform them of the permanent injunction entered against them by sending each of them a copy of the order of permanent injunction;

- G. That the Court enter an order requiring Ajayi and Villarreal to surrender to the Secretary of the Treasury or her delegate any and all PTINs held by, assigned to, or used by Ajayi and Villarreal pursuant to 26 U.S.C. § 6109, and the EFINs held by, assigned to, or used by Ajayi and Villarreal;
- H. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter an order requiring Ajayi and Villarreal, within 30 days of receiving the Court's order, to produce to counsel for the United States a list that identifies by name, social security number, address, e-mail address (if known), telephone number, and tax period, all persons for whom they prepared federal tax returns, amended returns, or claims for refund for tax years 2015 through 2019;
- I. That the Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter an order requiring Ajayi and Villarreal, within 30 days of receiving the Court's order, to prominently post a copy of the injunction in Ajayi's and Villarreal's place of businesses where tax returns were prepared by Ajayi and Villarreal; to deliver a copy of the injunction to Ajayi's and Villarreal's employees, contractors, and vendors; to file a sworn statement with the Court evidencing Ajayi's and Villarreal's compliance with the foregoing directives within forty-five (45) days of entry of the final injunction in this action; and to keep records of Ajayi's and Villarreal's compliance with the foregoing directives, which may be produced to the Court, if requested, or the United States;
- J. That the Court retain jurisdiction over this action to enforce any permanent injunction entered against Ajayi and Villarreal;

- K. That the Court order that the United States be entitled to conduct discovery to monitor Ajayi's and Villarreal's compliance with the terms of any permanent injunction entered against them; and
- L. That the Court grant the United States such other relief, including costs, as is just and proper.

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**ATTORNEYS FOR THE UNITED STATES  
(IRS)**