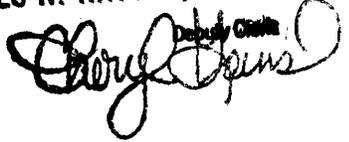


UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

FILED IN CLERK'S OFFICE  
U.S.D.C. Atlanta

APR - 8 2009

JAMES N. HATTEN, CLERK  
By: 

UNITED STATES OF AMERICA, )  
Plaintiff, )  
v. )  
DERRICK B. JACKSON, a/k/a )  
"Glenn Dent" individually and )  
doing business as TAX WISDOM )  
and INTERNATIONAL TAX AND )  
ACCOUNTING SERVICES, )  
Defendant. )

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Case Number:

1 09 - CV - 0937

**COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF**

Plaintiff United States of America alleges against defendant Derrick B. Jackson ("Jackson"), a/k/a "Glenn Dent," individually and doing business as Tax Wisdom and International Tax and Accounting Services:

1. This action has been requested 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 the provisions of Internal Revenue Code ("IRC") (26 U.S.C.) §§ 7402, 7407, and 7408.

## **Jurisdiction and Venue**

2. Jurisdiction is conferred on this Court by Sections 1340 and 1345 of Title 28, United States Code, and IRC §§ 7402(a), 7407, and 7408.

3. This is a civil action brought by the United States under IRC §§ 7402(a), 7407, and 7408 to enjoin Jackson and anyone in active concert or participation with him from:

- A. acting as a federal tax return preparer or requesting, assisting in, or directing the preparation or filing of federal tax returns for any person or entity other than themselves, or appearing as representatives on behalf of any person or organization whose tax liabilities are under examination by the Internal Revenue Service;
- B. preparing or filing (or helping to prepare or file) federal tax returns, amended returns, or other related documents and forms for others;
- C. organizing or selling tax shelters, plans, or arrangements that advise or assist taxpayers to attempt to understate their federal tax liabilities or evade the assessment or collection of their correct federal tax;
- D. understating customers' liabilities as subject to penalty under IRC § 6694;
- E. understating customers' liabilities as subject to penalty under IRC § 6695;

- F. engaging in any other activity subject to penalty under IRC §§ 6694, 6695, 6700, 6701, or any other penalty provision of the IRC; and
- G. engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

4. Venue is proper in this Court under 28 U.S.C. § 1391(b)(1) because a substantial portion of the activities occurred within this district.

### **Defendant**

5. Derrick B. Jackson was a federal tax return preparer operating in the Centerville, Georgia area.

6. Jackson has prepared returns in the vicinity of Fulton County, Georgia, sometimes using the alias Glenn Dent, and done business as Tax Wisdom and International Tax and Accounting Services, located at 100 Gunn Road, Suite B3, Centerville, Georgia.

### **Filing False Tax Returns**

7. On information and belief, Jackson started preparing returns for others in 2002.

8. From 2002 through 2004, Jackson prepared at least 288 federal income tax returns for others, using the name Derrick Jackson and the business name International Tax and Accounting Services. In 2005, he prepared at least 149 tax

returns using the same business name and his social security number. And in 2006, he prepared at least 76 federal income tax returns for others under the alias Glenn Dent and the business name Tax Wisdom.

9. To disguise his true identity, Jackson sometimes used the alias Glenn Dent (d/b/a Tax Wisdom) when he prepared tax returns. When he prepared these returns, Jackson used a social security number which belonged to a person who died in 1977.

10. The electronic identification number (EIN) that Jackson used for his business Tax Wisdom, and listed on tax returns he prepared, does not exist. The EIN that Jackson fraudulently used to file these returns belonged to a Jackson Hewitt Tax Service franchisee that was not affiliated with the defendant.

11. In 2006, Jackson prepared and electronically filed at least 50 federal income tax returns for the year 2005 containing false Form W-2 information and overstated withholdings to create and inflate tax refunds for customers.

12. Jackson prepared and filed at least 16 income tax returns for the year 2005 that falsely claimed tax credits under IRC § 6421 ("Fuel Tax Credit").

13. Jackson claimed inflated and false depreciation deductions on Schedules C to create false business losses to minimize his customers' tax liabilities and generate larger tax refunds. Taxpayers may take deductions for

certain depreciable business assets under IRC Section 179, but these deductions are subject to limitations. For example, Section 179(b)(1) caps the deductions at \$25,000, and Section 179(b)(3)(A) provides that the deductions cannot exceed the aggregate income generated by the business for which the property is used.

Jackson prepared many returns that claimed Section 179 deductions exceeding these limitations.

14. Jackson also improperly claimed the head of household filing status, false earned income tax credits, and false child tax credits on his customers' returns.

15. Jackson engaged in the unlawful promotion of a tax scheme in which he gave customers false and fraudulent tax advice regarding the fuel tax credit and prepared fraudulent tax returns for customers to implement the scheme.

### **Fuel Tax Credit Fraud**

16. Jackson has prepared blatantly fraudulent tax returns for customers using IRS Form 4136, "Credit for Federal Tax Paid on Fuels." In using and preparing these forms Jackson misapplied IRC § 6421(a). The fuel tax credit is available only to taxpayers who operate farm equipment or

other vehicles for off-highway business use. Moreover, the equipment or vehicles using the fuel must not be registered for highway uses.

**Overview of IRC § 6421(a): Credit for Federal Tax Paid on Fuels**

17. Fraudulently claiming entitlement to the fuel tax credit is a widespread tax scam, presenting a serious enforcement problem for the IRS. As part of this scheme, Jackson improperly claimed the fuel tax credit for his customers for purported business motor fuel purchases.

18. Section 6421(a), IRC, provides a tax credit for fuel used in an off-highway business use. Off-highway business use is any off-highway use of fuel in a trade or business or in an income-producing activity where the equipment or vehicle is not registered and not required to be registered for use on public highways. IRS Publication 225 provides the following examples of off-highway business fuel use: (1) in stationary machines such as generators, compressors, power saws, and similar equipment; (2) for cleaning purposes; and (3) in forklift trucks, bulldozers, and earthmovers. See IRS Publication 225 (2006), Farmer's Tax Guide, Chapter 14 (2006) (available online at: <http://www.irs.gov/publications/p225/ch14.html#d0e19048>).

19. IRS Publication 510 defines a highway vehicle as any “self-propelled vehicle designed to carry a load over public highways, whether or not it is also designed to perform other functions.” A public highway includes any road in the United States that is not a private roadway. This includes federal, state, county, and city roads and streets. These highway vehicles are not eligible for the fuel tax credit. IRS Publication 510 provides the following as examples of highway vehicles which are not eligible for the fuel tax credit: passenger automobiles, motorcycles, buses, and highway-type trucks and truck tractors. *See* IRS Publication 510 (2006), Excise Taxes for 2006, Chapter 2 (2006) (available online at: <http://www.irs.gov/publications/p510/ch02.html#d0e3533>)

20. IRS Publication 510 provides the following example of an appropriate application of the fuel tax credit:

Caroline owns a landscaping business. She uses power lawn mowers and chain saws in her business. The gasoline used in the power lawn mowers and chain saws qualifies as fuel used in an off-highway business use. The gasoline used in her personal lawn mower at home does not qualify.

21. In short, the fuel tax credit does not apply to passenger cars or other vehicles that are registered or required to be registered to drive on public highways.

### **Jackson's Fraudulent Claims of the Fuel Tax Credit**

22. Jackson prepared federal income tax returns for individuals who are part or full-time wage earners, and reduced his customers' reported tax liabilities by claiming a bogus fuel tax credit under IRC § 6421. The IRS has determined that at least 16 federal tax returns that Jackson prepared for customers in 2006 claimed false fuel tax credits.

23. Jackson prepared Forms 4136 for his customers falsely stating that the customer has used gasoline for off-highway business purposes.

24. The following chart shows three examples of Jackson's fraudulent preparation of federal income tax returns for the 2005 year using the Fuel Tax Credit:

<b>Business or profession, city and state of customer</b>	<b>Amount of off-highway business use of gasoline claimed on Form 4136</b>	<b>Cost of claimed business use of gasoline*</b>	<b>Estimated yearly/daily mileage**</b>	<b>Total Income</b>	<b>Amount of gasoline credit</b>	<b>Refund Requested</b>
Lawn Service; College Park, Georgia	20,500 gallons	\$41,000	410,000 miles per year /1,123 per day	\$14,089	\$3,767	\$11,604
Trucking; Warner Robins, Georgia	36,000 gallons	\$72,000	720,000 miles per year /1,973 per day	\$35,979	\$6,614	\$16,762
Security Services; Locust Grove, Georgia	19,000 gallons	\$38,000	380,000 miles per year /1,041 per day	\$17,634	\$3,492	\$10,782

\* Estimated total cost based on \$2.00 per gallon.

\*\* Estimated milage based on 20 miles per gallon.

### **Harm to the Public**

25. Jackson's preparation of false and fraudulent tax returns, to the extent that the Internal Revenue Service has not detected them, has resulted in customers receiving substantial federal income tax refunds to which they are not entitled and not paying taxes that they owe. Jackson has filed returns for customers seeking more than \$950,000 in refunds based on fraudulent tax forms.

26. In addition to the direct harm caused by preparing tax returns that understate his customers' tax liabilities, Jackson's activities undermine public confidence in the administration of the federal tax system and encourage noncompliance with the internal revenue laws.

27. Jackson further harms the United States because the Internal Revenue Service must devote its limited resources to identifying Jackson's customers, ascertaining their correct tax liability, recovering any refunds erroneously issued, and collecting any additional taxes and penalties. The IRS estimates that its administrative costs associated with this scheme thus far total nearly \$12,000.

**Count I**  
**Injunction under IRC § 7407**

28. The United States incorporates by reference the allegations in paragraphs 1 through 27.

29. IRC § 7407 authorizes a district court to enjoin a tax return preparer from:

- a. engaging in conduct subject to penalty under IRC § 6694;
- b. engaging in conduct subject to penalty under IRC § 6695;

- c. failing to comply with an IRS request under IRC § 6107(b);
- d. misrepresenting his experience or education as a tax return preparer; or
- e. 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 the conduct.

Additionally, if the court finds that a preparer has continually or repeatedly engaged in such conduct, and the court finds that a narrower injunction (*i.e.*, prohibiting only that specific enumerated conduct) would not be sufficient to prevent that person's interference with the proper administration of the internal revenue laws, the court may enjoin the person from further acting as a federal income tax return preparer.

30. Jackson has continually and repeatedly engaged in conduct subject to penalty under IRC § 6694 by preparing federal income tax returns that understate his customers' liabilities based on unrealistic, frivolous, and reckless positions.

31. Jackson's repeated violations of IRC § 6694 fall within IRC § 7407(b)(1)(A) and (D), and thus are subject to an injunction under IRC § 7407.

32. Jackson has continually and repeatedly engaged in conduct subject to penalty under IRC § 6695(b) by failing to sign tax returns he prepared.

33. Jackson has continually and repeated engaged in conduct subject to penalty under IRC § 6695(c) by failing to provide his tax preparer identification number on returns he prepared.

34. Jackson's repeated violations of IRC § 6695 fall within IRC § 7407(b)(1)(A) and (D), and thus are subject to an injunction under IRC § 7407.

35. If he is not enjoined, Jackson is likely to continue to file false and fraudulent tax returns.

36. Jackson's continual and repeated conduct subject to an injunction under IRC § 7407 and flagrant misuse of fuel tax credits demonstrate that a narrow injunction prohibiting only specific conduct would be insufficient to prevent Jackson's interference with the proper

administration of the internal revenue laws. Thus, he should be permanently barred from acting as a return preparer.

**Count II**  
**Injunction under IRC § 7408**

37. The United States incorporates by reference the allegations in paragraphs 1 through 36.

38. Section 7408(a)-(c), IRC, authorizes a district court to enjoin any person from engaging in conduct subject to penalty under either IRC §§ 6700 or 6701 if injunctive relief is appropriate to prevent recurrence of such conduct.

39. Section 6701(a), IRC, penalizes any person who aids or assists in, procures, or advises with respect to the preparation or presentation of a federal tax return, refund claim, or other document knowing (or having a 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 will result in an understatement of another person's tax liability.

40. Jackson prepared federal tax returns for customers that he knows will understate their correct tax liabilities. Jackson's conduct is thus subject to penalty under IRC § 6701.

41. If the Court does not enjoin Jackson, he is likely to continue to engage in conduct subject to penalty under IRC § 6701. Injunctive relief is therefore appropriate under IRC § 7408.

**Count III**  
**Injunction under IRC § 7402(a)**  
**Necessary to Enforce the Internal Revenue Laws**

42. The United States incorporates by reference the allegations of paragraphs 1 through 41.

43. Section 7402, IRC, authorizes a district court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

44. Jackson, through the actions described above, has engaged in conduct that substantially interferes with the enforcement of the internal revenue laws.

45. Unless enjoined, Jackson is likely to continue to engage in such improper conduct. If Jackson is not enjoined from engaging in fraudulent and deceptive conduct the United States will suffer irreparable injury by wrongfully providing federal income tax refunds to individuals not entitled to receive them.

46. Enjoining Jackson is in the public interest because an injunction, backed by the Court's contempt powers if needed, will stop his illegal conduct and the harm it causes the United States.

47. The Court should impose injunctive relief under 26 U.S.C. § 7402(a).

WHEREFORE, the United States prays for the following:

1. That the Court find that Derrick B. Jackson, a/k/a "Glenn Dent," has continually and repeatedly engaged in conduct subject to penalty under IRC §§ 6694 and 6695, and has continually and repeatedly engaged in other fraudulent or deceptive conduct that substantially interferes with the administration of the tax laws, and that a narrower injunction prohibiting only this specific misconduct would be insufficient;

2. That the Court find that Derrick B. Jackson has engaged in conduct subject to a penalty under IRC § 6701, and that injunctive relief under IRC § 7408 is appropriate to prevent a recurrence of that conduct;

3. That the Court find that Derrick B. Jackson has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and IRC § 7402(a);

4. That the Court, pursuant to IRC §§ 7402(a), 7407, and 7408, enter a permanent injunction prohibiting Derrick B. Jackson, and all those in active concert or participation with his from:

- A. acting as a federal tax return preparer or requesting, assisting in, or directing the preparation or filing of federal tax returns for any person or entity other than himself, or appearing as representative on behalf of any person or organization whose tax liabilities are under examination by the Internal Revenue Service;
- B. preparing or filing (or helping to prepare or file) federal tax returns, amended returns, or other related documents and forms for others;
- C. organizing or selling tax shelters, plans, or arrangements that advise or assist taxpayers to attempt to understate their federal tax liabilities or evade the assessment or collection of their correct federal tax;
- D. understating customers' liabilities as subject to penalty under IRC § 6694;
- E. understating customers' liabilities as subject to penalty under IRC § 6695;
- F. engaging in any other activity subject to penalty under IRC §§ 6694, 6695, 6700, 6701, or any other penalty provision of the IRC; and,
- G. engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

5. That the Court, pursuant to IRC §§ 7402(a), 7407, and 7408, enter an injunction requiring Derrick B. Jackson within 30 days to contact by United States mail and, if an e-mail address is known, by e-mail, all persons for whom he prepared a federal tax return to inform them of the Court's findings concerning the falsity of Jackson's prior representations and enclose a copy of the executed permanent injunction against him, and file with the Court a sworn certificate stating that he has complied with this requirement;

6. That the Court, pursuant to IRC §§ 7402(a), 7407, and 7408, enter an injunction requiring Derrick B. Jackson to produce to counsel for the United States within 30 days a list that identifies by name, social security number, address, e-mail address, and telephone number and tax period(s) all persons for whom he prepared federal tax returns or claims for a refund since January 1, 2005;

7. That the Court retain jurisdiction over Derrick B. Jackson and over this action to enforce any permanent injunction entered against Jackson;

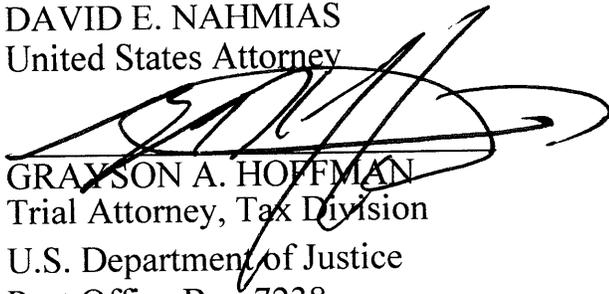
8. That the United States be entitled to conduct discovery to monitor Jackson's compliance with the terms of any permanent injunction entered against him; and

9. That this Court grant the United States such other and further relief, including costs, as is just and equitable.

DATED: April 7, 2009

Respectfully submitted,

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