

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

|                                  |   |           |
|----------------------------------|---|-----------|
| UNITED STATES OF AMERICA,        | ) |           |
|                                  | ) |           |
| Plaintiff,                       | ) |           |
|                                  | ) |           |
| v.                               | ) | Civil No. |
|                                  | ) |           |
| MATOI RIMES, individually,       | ) |           |
| d/b/a/ Rimes Accounting Service, | ) |           |
|                                  | ) |           |
| Defendant.                       | ) |           |
| _____                            | ) |           |

**COMPLAINT FOR PERMANENT INJUNCTION**

This is a civil action brought by the United States to permanently enjoin defendant Matoi Rimes, individually and d/b/a Rimes Accounting Services, from preparing federal income tax returns, amended federal income tax returns and other related documents and forms for others; filing federal income tax returns for others, representing customers before the Internal Revenue Service (“IRS”), advising, assisting, counseling, or instructing anyone about the preparation of a federal tax return; engaging in any activity subject to penalty under 26 U.S.C. § § 6694, 6695, or 6701; promoting tax-fraud schemes or other plans or arrangements that advise or encourage taxpayers to attempt to evade the assessment or collection of federal income taxes; or engaging in conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

### **Jurisdiction**

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 26 U.S.C. §§ 7401, 7402(a), 7407, and 7408.

2. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. §§ 7401, 7402(a), 7407, and 7408.

3. Mr. Rimes resides in and operates a business, Rimes Accounting Service, within the jurisdiction of this Court.

### **Facts Common to All Counts**

4. Mr. Rimes prepares or assists in the preparation of federal income tax returns for other people for compensation.

5. Mr. Rimes operates a business that provides tax return-preparation services under the name Rimes Accounting Service.

6. Mr. Rimes has prepared 3,111 tax returns since January 1, 2006.

7. The Internal Revenue Service (“IRS”) has examined 48 of those returns prepared by Mr. Rimes. Of those 48 returns that were examined, 47, or 99%, required adjustment.

8. The examinations of these 48 returns revealed a pattern of erroneous Schedule A deductions for medical expenses, mortgage interest, charitable contributions, employee business expenses, and miscellaneous expenses. In addition, the returns reflected inflated or fabricated Schedule C and Schedule E expenses as well as unwarranted deductions for tuition and rental expenses.

9. In addition to the systematic inflation or fabrication of deductions, Mr. Rimes also engages in a scheme to appropriate additional refund revenue through the inappropriate use of the Refund Anticipation Loan program (“RAL.”) Mr. Rimes has altered at least 16 returns that he prepared for his clients who have opted to participate in the RAL. Mr. Rimes perpetuates his scheme by adjusting reported amounts on the returns to reflect income tax refunds that are higher than the amount he shows on the paper copy of the return that he prepares for the customer. Through the RAL, Mr. Rimes deposited the entire amount of the inflated refund into his bank account and retained the difference between the inflated refund amount and the amount reported to his customer for his own benefit without the consent or knowledge of his customers. The IRS has determined that Mr. Rimes received \$7,467 in stolen tax refund revenue from these 16 returns.

10. Mr. Rimes’s actions cause harm to the United States and to the public. The IRS has issued erroneous refunds based on fraudulent returns prepared by Mr. Rimes and has then had to audit Mr. Rimes’s customers and take collection action to attempt to recoup the money. The IRS has determined that the actual loss for the 48 returns it has examined is \$230,677. The IRS estimates that for every year that Mr. Rimes continues to prepare federal income tax returns, the government loses million of dollars of tax revenue.

11. The IRS has spent considerable time and resources auditing returns prepared by Mr. Rimes and collecting the taxes owed and erroneous refunds paid.

12. Mr. Rimes has also harmed his customers because they pay him to prepare these returns, and, after the fraud is detected, are responsible for paying all taxes, interest, and penalties.

**Count I:  
Injunction under 26 U.S.C. § 7408 for Violation of 26 U.S.C. § 6701**

13. The United States incorporates by reference the allegations in paragraphs 1 through 12.

14. A court is authorized to issue an injunction if an income tax preparer engages in conduct subject to penalty under 26 U.S.C. § 6701, pursuant to 26 U.S.C. § 7408.

15. Section 6701 penalizes any person (1) who 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) who knows (or has reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws; and (3) who knows that such portion (if so used) would result in an understatement of the liability for tax of another person.

16. Mr. Rimes prepares or assists in the preparation of federal income tax returns for his customers.

17. Mr. Rimes knows or has reason to believe that these income tax returns will be filed with the IRS and thus will be used in connection with a material matter arising under the internal revenue laws.

18. Mr. Rimes knows that the federal tax returns he prepares will result in understatements of other persons' tax liabilities.

19. If Mr. Rimes is not enjoined, he is likely to continue to engage in conduct which violates § 6701.

**Count II:  
Injunction under 26 U.S.C. § 7407 for Violation of 26 U.S.C. § 6694**

20. The United States incorporates by reference the allegations in paragraphs 1 through 19.

21. A court is authorized to issue an injunction if an income tax return preparer engages in conduct subject to penalty under 26 U.S.C. § 6694 or § 6695, pursuant to 26 U.S.C. § 7407.

22. Section 6694(a) penalizes a tax return preparer if (1) the preparer prepares a return or claim for refund that includes an understatement of liability due to a position for which there is 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 disclosed in accordance with § 6662(d)(2)(B)(ii) or was frivolous.

23. Section 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.

24. Mr. Rimes's conduct as described above is subject to penalty under §§ 6694(a), and 6694(b).

25. Mr. Rimes has prepared income tax returns that include understatements of his customers' liability which had no realistic possibility of being sustained on the merits; Mr. Rimes knew or reasonably should have known about these understatements; Mr. Rimes did not disclose them in accordance with 26 U.S.C. § 6662(d)(2)(B)(ii); and such understatements are frivolous. Mr. Rimes has thus engaged in conduct subject to penalty under § 6694(a).

26. Mr. Rimes prepares returns for customers with false entries in a willful attempt to understate the customers' liability or with a reckless and intentional disregard of rules and regulations. Mr. Rimes has thus engaged in conduct subject to penalty under § 6694(b).

27. Mr. Rimes has continually and repeatedly engaged in conduct that violates § 6694. An injunction merely prohibiting Mr. Rimes from engaging in conduct subject to penalty under § 6694 would not be sufficient to prevent her interference with the proper administration of the tax laws. Accordingly, Mr. Rimes should be permanently enjoined from acting as an income tax return preparer.

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

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

29. A court is authorized to issue orders of injunction as may be necessary or appropriate to enforce the internal revenue laws, pursuant to 26 U.S.C. § 7402(a).

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

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

32. Mr. Rimes's conduct causes irreparable harm to the United States and to his customers.

33. Mr. Rimes is causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may be unrecoverable.

34. If Mr. Rimes is not enjoined, he is likely to continue to engage in conduct that interferes with the enforcement of the internal revenue laws.

35. The United States will suffer irreparable injury if Mr. Rimes is not enjoined. This outweighs the harm to Mr. Rimes from being enjoined from return-preparation and violating tax laws.

36. The public interest would be advanced by enjoining Mr. Rimes because an injunction will stop his illegal conduct and the harm that conduct is causing to the United States Treasury.

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

A. That the Court find that Mr. Rimes has 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 a recurrence of that conduct;

B. That the Court find that Mr. Rimes has continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694, and that, pursuant to 26 U.S.C. § 7407, an injunction prohibiting such conduct would not be sufficient to prevent Mr. Rimes's interference with the proper administration of the tax laws and that Mr. Rimes should be enjoined from acting as an income tax return preparer;

C. That the Court find that Mr. Rimes is interfering with the enforcement of the internal revenue laws and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to 26 U.S.C. § 7402(a) and the Court's inherent equity powers;

D. That this Court, pursuant to 26 U.S.C. § 7408, enter a permanent injunction prohibiting Mr. Rimes, individually and doing business as Rimes Accounting Service or under any other name or using any other entity, and his representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with him, from directly or indirectly:

1. Engaging in activity subject to penalty under 26 U.S.C. § 6701, including aiding or assisting in, procuring, or advising with respect to, the preparation or presentation of any portion of a return, affidavit, claim or other document; knowing (or having reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws; and knowing that such portion (if so used) would result in an understatement of the liability for tax of another person; and
2. Engaging in any other activity subject to penalty under 26 U.S.C. § 6701 or any other provisions of the Internal Revenue Code.

E. That this Court, pursuant to 26 U.S.C. § 7407, enter a permanent injunction prohibiting Mr. Rimes, individually and doing business as Rimes Accounting Service or under any other name or using any other entity, and his representatives, agents, servants, employees,

attorneys, and all persons in active concert or participation with him, from directly or indirectly acting as a federal income tax return preparer;

F. That this Court, pursuant to 26 U.S.C. §§ 7402(a), 7407 and 7408, enter a permanent injunction prohibiting Mr. Rimes, individually and doing business as Rimes Accounting Service or under any other name or using any other entity, and his representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with him, from directly or indirectly:

1. Preparing or assisting in the preparation of any federal tax return for anyone other than himself;
2. Advising, counseling, or instructing anyone about the preparation of a federal tax return;
3. Filing or assisting in the filing of a federal income tax return for anyone other than himself;
4. Owning, managing, controlling, working for, or volunteering for a tax-return-preparation business;
5. Representing customers in connection with any matter before the IRS; and
6. Engaging in other similar conduct that substantially interferes with the administration and enforcement of the internal revenue laws.

G. That this Court, pursuant to 26 U.S.C. § 7402(a), require Mr. Rimes at his own expense to contact by mail all customers for whom he has prepared federal tax returns or assisted in preparing tax returns, and send them a copy of this Complaint and the permanent injunction order, and to certify to the Court within eleven days of entry of the permanent injunction that he has complied with this provision;

H. That this Court require Mr. Rimes to provide the United States with a list of everyone for whom he has prepared (or helped to prepare) a federal tax return since January 1, 2006, and set forth on said list all of the names, addresses, e-mail addresses, telephone numbers, and social security numbers of the customers.

I. That this Court permit the United States to conduct post-judgment discovery to ensure Mr. Rimes's compliance with the permanent injunction; and

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

Respectfully submitted,

PATRICK FITZGERALD  
United States Attorney

*/s/ Lisa L. Bellamy*

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