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CENTRAL DISTRICT OF CALIF.
LOS ANGELES

FILED

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9

10 UNITED STATES DISTRICT COURT
11 FOR THE CENTRAL DISTRICT OF CALIFORNIA

12 CV10 8444 R (OPx)

13 UNITED STATES OF
AMERICA,

14 Plaintiff,

15 v.

16 MARIE VAZQUEZ,

17 Defendant.
18

Case No. CV 10-

19 **COMPLAINT FOR PERMANENT**
20 **INJUNCTION AGAINST THE**
21 **PREPARATION OF TAX RETURNS**
22 **AND OTHER EQUITABLE RELIEF**

23 COMPLAINT

24 The United States of America, by and through its counsel of record, alleges as
25 follows:

26 NATURE OF ACTION

27 1. This is a civil action brought pursuant to 28 U.S.C. §§ 1340 and 1345,
28 and Sections 7401, 7402(a), 7407, and 7408 of the Internal Revenue Code, 26 U.S.C.
("the Code").

2. This action is to obtain a permanent injunction against the above-named
defendant prohibiting her from further: (1) acting as an income tax return preparer,

1 (2) engaging in conduct subject to penalty under Sections 6694 and 6701 of the Code,
2 or any criminal conduct prohibited by the Code, (3) misrepresenting herself to clients
3 or to the Internal Revenue Service (“IRS” or “Service”) as being duly qualified to
4 practice as a certified public accountant, whereas she is not so qualified, and (4)
5 engaging in any other fraudulent or deceptive conduct which substantially interferes
6 with the proper administration of the internal revenue laws.

7 JURISDICTION

8 3. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§
9 1340 and 1345, and Sections 7401, 7402(a), 7407, and 7408 of the Code.

10 4. This action is brought at the direction of the Attorney General of the
11 United States of America, and with the authorization, sanction, and at the request of
12 the Chief Counsel of the IRS, pursuant to Section 7401 of the Code.

13 DEFENDANT AND VENUE

14 5. Defendant Marie Vazquez (“defendant” or “Vazquez”) resides in
15 Romoland, California, in Riverside County, within the Central District of California.
16 At all times relevant to this Complaint, Vazquez operated an income tax return
17 preparation business named “Vazquez Accounting,” located in Sun City, California,
18 in Riverside County, within the Central District of California.

19 6. Pursuant to 28 U.S.C. § 1391(b), venue properly lies in the Central
20 District of California, where defendant resides, and where a substantial part of the
21 events or omissions giving rise to the claims occurred.

22 DEFENDANT’S ACTIVITIES

23 7. During at least the calendar years 2004 through 2007, inclusive (i.e., the
24 tax years 2003 through 2006, inclusive), defendant was engaged in the preparation
25 of tax returns, acting as a paid income tax return preparer for individuals (“clients”
26 or “taxpayers”). Defendant offered tax return preparation services through “Vazquez
27 Accounting,” which she owns and operates.

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1 8. Defendant continually or repeatedly engaged in conduct subject to
2 penalty under Section 6694 of the Code in that she, among other things, (1) took
3 unrealistic and unsustainable positions on clients' tax returns, resulting in
4 understatements of tax due, and (2) willfully or recklessly understated the tax due
5 (and, in nearly every case, overstated the refund due) on clients' tax returns.

6 9. Defendant continually or repeatedly engaged in conduct subject to
7 penalty under Section 6701(a) of the Code in that she (1) aided or assisted in the
8 preparation or presentation of portions of returns or claims, (2) knowing or having
9 reason to believe that such portions would be used in connection with material
10 matters arising under the internal revenue laws, and (3) knowing that such portions
11 would result in tax liability understatements of other persons.

12 10. Further, defendant continually or repeatedly engaged in fraudulent and
13 deceptive conduct which substantially interfered with the proper administration of the
14 internal revenue laws, in that defendant, among other things, improperly and
15 purposefully reduced and understated clients' tax liabilities by claiming false and
16 inflated itemized deductions for medical expenses, taxes paid, mortgage interest,
17 employee business expenses and/or charitable contributions, resulting, in most cases,
18 in undeserved refunds.

19 11. Defendant has been informed by the IRS that her conduct is improper
20 and illegal. In that regard, on October 19, 2009, Vazquez was charged in a 5-count
21 Information related to her activities as an income tax return preparer in the criminal
22 action entitled, *United States v. Marie Vazquez*, Case No. CR 09-01090-DDP
23 (C.D.Cal.).

24 SPECIFIC ALLEGATIONS REGARDING DEFENDANT'S CONDUCT

25 12. At all times relevant hereto, defendant's typical clients were middle-
26 income individual wage earners. Advertising was by word of mouth. Clients
27 typically were referred by friends or relatives who had received tax refunds through
28 Vazquez Accounting.

1 13. Defendant would meet individually with clients at Vazquez Accounting
2 for the purpose of preparing false tax returns for clients. During a meeting with the
3 client, defendant typically entered amounts into the client's tax return that were
4 fabricated or inflated, and not provided by the client. Defendant failed to ask the
5 client for receipts to support the deductions that she entered on the client's return, and
6 if asked by the client for justification for the large deductions, defendant often would
7 tell the client that receipts were unnecessary or that the large deductions based on
8 income were allowed by changes in the tax laws.

9 14. The tax returns which defendant prepared typically listed fabricated or
10 inflated amounts of deductions on Schedule A, including those for medical expenses,
11 taxes paid, mortgage interest, charitable contributions, and employee business
12 expenses. Unreimbursed employee expenses were claimed regardless of whether the
13 client had any employee expenses.

14 15. Defendant often would not inform clients of the amounts that she had
15 entered onto the clients' tax returns. After defendant had entered the fabricated and
16 inflated amounts on a client's tax return and accompanying schedules, the client
17 would be provided with the completed tax return (Form 1040) and accompanying
18 schedule(s) and would be instructed to sign the return. The client would sign the tax
19 return, often in defendant's presence, despite the fact that the defendant had not
20 afforded the client an opportunity to review the completed tax return.

21 16. Once defendant had finished preparing the return and had given it to the
22 client to sign, defendant would give to the client an envelope addressed to the IRS
23 location for returns and would instruct the client to mail the completed tax forms to
24 the IRS using the envelope provided.

25 FALSE TAX RETURNS PREPARED AND FALSE STATEMENTS MADE
26 BY DEFENDANT

27 17. On the following dates, defendant prepared and assisted in the
28 preparation of false income tax returns of taxpayer J.A., which resulted in undeserved

1 refunds, and listed the following false Schedule A deductions that defendant knew
2 J.A. was not entitled to claim, which were materially false:

<u>Tax Year</u>	<u>Date Filed</u>	<u>False Deductions</u>
2004	02/11/2005	\$4,242 – mortgage interest \$3,812 – charitable contributions \$17,890 – unreimbursed employee expenses
2005	02/06/2006	\$6,000 – mortgage interest \$3,660 – charitable contributions \$21,008 – unreimbursed employee expenses
2006	01/19/2007	\$6,000 – mortgage interest \$3,000 – charitable contributions \$9,450 – unreimbursed employee expenses

13 18. On or about April 10, 2004, defendant made and caused to be made on
14 the Power of Attorney and Declaration of Representative (IRS Form 2848) of
15 taxpayers O.E. and R.E. the false and fraudulent material representation that she was
16 duly qualified to practice as a certified public accountant, when in truth and in fact,
17 as defendant knew, she was not duly qualified to practice as a CPA.

18 19. On or about July 18, 2007, defendant made and caused to be made on the
19 Power of Attorney and Declaration of Representative (IRS Form 2848) of taxpayers
20 V.V. and G.V. the false and fraudulent material representation that she was duly
21 qualified to practice as a certified public accountant, when in truth and in fact, as
22 defendant knew, she was not duly qualified to practice as a CPA.

23 INJURY TO THE UNITED STATES

24 20. The IRS has audited about 5-percent of the total tax returns that
25 defendant prepared for the 2004 and 2005 tax seasons (i.e., returns for the calendar
26 years 2003 and 2004). As of May 10, 2007, the IRS audits conducted as part of its
27 investigation of the 2003 and 2004 tax returns that defendant had prepared resulted
28

1 in \$367,000 of additional tax liabilities, as agreed to by the taxpayers, plus an
2 additional \$80,000 of tax liabilities, for total additional tax liabilities of \$447,000.

3 21. The Service's audits of the tax returns that defendant prepared for the tax
4 years 2003 through 2006 resulted in the following determinations: (a) the tax returns
5 typically listed fabricated or inflated amounts of deductions on Schedule A, including
6 those for medical expenses, taxes paid, mortgage interest, charitable contributions,
7 and employee business expenses, (b) the taxpayers informed the IRS auditors and/or
8 special agents that the inflated deduction amounts claimed on the returns were not the
9 amounts that such taxpayers had given to the defendant, (c) defendant submitted false
10 documents for non-cash charitable contributions to several IRS examiners for
11 different taxpayer audits, and (d) Hope education credits were falsely claimed on
12 returns.

13 22. The errors contained in the returns prepared by the defendant cannot be
14 automatically detected by cross-checking information reported to the IRS by
15 employers or other third parties. The defendant generally reported such information
16 accurately (for example, income from Forms W-2). Time-intensive audits by revenue
17 agents and criminal investigations by special agents, including interviews with the
18 taxpayers-clients, are usually necessary to ferret out the bogus deductions claimed on
19 returns prepared by the defendant.

20 INJURY TO THE DEFENDANT'S CLIENTS

21 23. As a result of the defendant's improper actions, many of her clients have
22 been required to file amended returns or undergo audits by the IRS. They have
23 incurred severe, and in most cases unanticipated, financial burdens due to their
24 liability for additional tax beyond the amount reported on their original returns, plus
25 statutory interest.

26 24. As a result of the defendant's improper actions, many of her clients will
27 be required to file amended returns or undergo audits by the IRS. They will incur
28 severe financial, and in most cases unanticipated, financial burdens due to their

1 liability for additional tax beyond the amount reported on their original returns, plus
2 statutory interest (and perhaps civil penalties).

3 COUNT I

4 (Engaging in Conduct Prohibited by Sections 6694 and 6701)

5 25. Plaintiff realleges and incorporates by reference paragraphs 1 through
6 24 of the Complaint.

7 26. Defendant, by reason of her preparation, or assistance in the preparation,
8 of federal income tax returns for which she was compensated, is an income tax return
9 preparer within the meaning of Section 7701(a)(36) of the Code.

10 27. Defendant continually or repeatedly engaged in conduct subject to
11 penalty under Section 6694 of the Code in that she, among other things, (1) took
12 unrealistic and unsustainable positions on clients' tax returns, resulting in
13 understatements of tax due, and (2) willfully or recklessly understated the tax due on
14 clients' tax returns (and, in nearly every case, overstated the refund due).

15 28. Defendant continually or repeatedly engaged in conduct subject to
16 penalty under Section 6701(a) of the Code in that she (1) aided or assisted in the
17 preparation or presentation of portions of returns or claims, (2) knowing or having
18 reason to believe that such portions would be used in connection with material
19 matters arising under the internal revenue laws, and (3) knowing that such portions
20 would result in tax liability understatements of other persons.

21 29. Unless enjoined by the Court, the defendant will continue to engage in
22 the above-described conduct.

23 30. Defendant must be enjoined from further acting as an income tax return
24 preparer because an injunction prohibiting her engaging in conduct subject to penalty
25 under Sections 6694 and 6701 of the Code would not be sufficient to prevent her
26 further interference with the proper administration of the tax laws.

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1 to the United States Treasury as well as a severe drain of government
2 administrative resources in identifying and examining the returns the defendant
3 prepared and in attempting to collect the monies owed. The IRS lacks
4 sufficient resources to examine all of the returns that defendant has prepared
5 to date and is continuing to prepare. In addition, the resulting and potential
6 litigation relating to the tax returns prepared by the defendant will place a
7 heavy burden on the judicial system.

8 d. Public interest. Members of the public whom the defendant aided,
9 advised, or assisted have been harmed because such persons paid the defendant
10 for her services in preparing tax returns, and if their returns are examined by
11 the IRS, they will likely be assessed with deficiencies in tax, be required to pay
12 statutory interest on the tax deficiencies resulting from the defendant's
13 improper preparation, and may also be subject to civil penalties resulting from
14 the deficiencies. Moreover, the defendant's behavior encourages a reckless
15 disregard for the internal revenue laws and erodes public confidence in the
16 fairness of the federal income tax system, thus causing irreparable injury to the
17 government and the nation as a whole.

18 RELIEF REQUESTED

19 **WHEREFORE**, plaintiff, the United States of America, prays for the
20 following:

21 1. That the Court find that the defendant Marie Vazquez has continually or
22 repeatedly engaged in conduct subject to penalty under Sections 6694 and 6701 of the
23 Code; that an injunction prohibiting such conduct would not be sufficient to prevent
24 the defendant's interference with the proper administration of Title 26; and that the
25 defendant therefore should be permanently enjoined from acting as an income tax
26 return preparer pursuant to Sections 7402(a), 7407, and 7408 of the Internal Revenue
27 Code.

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1 2. That the Court find that defendant Marie Vazquez has continually or
2 repeatedly engaged in fraudulent or deceptive conduct that substantially interferes
3 with the proper administration and enforcement of the internal revenue laws by the
4 IRS; that an injunction prohibiting such conduct would not be sufficient to prevent
5 the defendant's interference with the proper administration of Title 26; and that the
6 defendant therefore should be permanently enjoined from acting as an income tax
7 return preparer pursuant to Sections 7402(a), 7407, and 7408 of the Internal Revenue
8 Code.

9 3. That the Court enter a final judgment of Permanent Injunction, enjoining
10 defendant Marie Vazquez, and all other persons in active concert or participation with
11 her, directly or indirectly, by use of any means or instrumentality, from:

12 a. Acting as a tax return preparer for compensation within the
13 meaning of 26 U.S.C. § 7701(a)(36);

14 b. Engaging in any conduct subject to penalty under 26 U.S.C. §§
15 6694 and 6701, including but not limited to, preparing tax returns or claims for
16 refund that overstate the allowable amounts of itemized deductions for medical
17 expenses, taxes paid, mortgage interest, employee business expenses and/or
18 charitable contributions;

19 c. Representing herself to taxpayers-clients or to the IRS as being
20 duly qualified to practice as a certified public accountant; and

21 d. Engaging in any other conduct that interferes with the proper
22 administration and enforcement of the internal revenue laws.

23 4. That this Court further order and decree, as part of its permanent
24 injunctive relief, that the defendant notify, in writing, all persons whose tax returns
25 she has prepared from January 1, 2004, to the entry date of the Court's "Permanent
26 Injunction by Consent Against Marie Vazquez" ("Permanent Injunction"), of the
27 findings and relief ordered by the Court in the Permanent Injunction, including
28 providing along with the notice to such persons a copy of the Complaint and of the

1 Court's Permanent Injunction; and that the defendant file with the Court and serve on
2 the plaintiff a list of the names and addresses of all persons so notified within thirty
3 (30) days of the entry date of this Permanent Injunction.

4 5. That this Court retain jurisdiction of this action for the purpose of
5 implementing and enforcing the final judgment and all additional decrees and orders
6 necessary and appropriate to the public interest.

7 6. That this Court award plaintiff such other and further relief as it deems
8 to be appropriate.

9
10 Respectfully submitted,

11 ANDRÉ BIROTTE JR.
12 United States Attorney
13 SANDRA R. BROWN
14 Assistant United States Attorney
15 Chief, Tax Division

16 DATED: 11/5/2010

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20 Attorneys for Plaintiff, the
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