

IN THE UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF LOUISIANA

|   |   |                         |
|---|---|-------------------------|
| UNITED STATES OF AMERICA                  | ) |                         |
|   | ) |                         |
| Plaintiff,                                | ) |                         |
|   | ) |                         |
| v.  | ) | Civil No. 2:11-cv-01547 |
|   | ) |                         |
| CATHY R. VINNETT, individually and        | ) |                         |
| d/b/a RIVER PARISH TAX PROFESSIONALS,     | ) |                         |
| M&C TAX SERVICE, and D&C TAX SERVICE,     | ) |                         |
| and LASHANDA R. VINNETT, individually and | ) |                         |
| d/b/a RIVER PARISH TAX PROFESSIONALS,     | ) |                         |
| M&C TAX SERVICE, D&C TAX SERVICE, and     | ) |                         |
| REMARKABLE TAX SERVICE                    | ) |                         |
|   | ) |                         |
| Defendants.                               | ) |                         |

**COMPLAINT FOR PERMANENT INJUNCTION**

Plaintiff, the United States of America, brings this complaint against Cathy R. Vinnett, individually and doing business as River Parish Tax Professionals, M&C Tax Service, and D&C Tax Service, and against Lashanda R. Vinnett, individually and doing business as River Parish Tax Professionals, M&C Tax Service, D&C Tax Service, and Remarkable Tax Service, and states as follows:

**Jurisdiction and Venue**

1. This suit is brought under 26 U.S.C. §§ 7402, 7407 and 7408 to enjoin Cathy Vinnett and Lashanda Vinnett, d/b/a River Parish Tax Professionals, M&C Tax Service, D&C Tax Service, and Remarkable Tax Service, and anyone in active concert or participation with them, from:
  - (a) Acting as a federal tax return preparer or otherwise directly or indirectly preparing or filing, or assisting in the preparation or filing of any federal

tax return, amended return, and other related documents and forms for any other person or entity;

- (b) Engaging in any activity subject to penalty under 26 U.S.C. §§ 6694, 6695, 6700 and/or 6701;
- (c) Engaging in conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws; and
- (d) Engaging in any other activity subject to penalty under the Internal Revenue Code.

- 2. This action has been requested by the Chief Counsel of the IRS, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to 26 U.S.C. §§ 7401, 7402, 7407 and 7408.
- 3. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. §§ 7401 and 7402(a).
- 4. Venue is appropriate in this Court under 28 U.S.C. §§ 1391 and 1396 because both of the Defendants reside in Destrehan, Louisiana, which is within this district. Also, Defendants have operated River Parish Tax Professionals, M&C Tax Service, D&C Tax Service, and Remarkable Tax Service within this judicial district.

#### **Defendants' Business Activity**

- 5. Cathy Vinnett prepares federal tax returns as an unenrolled agent and has been preparing tax returns since 2006.

6. Cathy Vinnett began preparing returns as an employee of Jackson-Hewitt. She was also trained to prepare returns that included self-employment income and the telephone excise tax refund credit (TETR) by Shaniquia Derkins, a return preparer.
7. Lashanda Vinnett, who is Cathy Vinnett's daughter, also prepares federal tax returns as an unenrolled agent and has been preparing tax returns since 2007.
8. In 2007, Cathy and Lashanda Vinnett began operating their own federal tax return-preparation business, D&C Tax Service, located at 13354 River Road, Destrehan, Louisiana, 70047. D&C Tax Service subsequently moved to 111 Saint Rose Avenue, Saint Rose, Louisiana.
9. In late 2007, Cathy Vinnett moved to Georgia, where she set up a new tax preparation company, M&C Tax Service, located at 2198 Salem Road, Conyers, Georgia. Cathy Vinnett continued to operate this business in 2008.
10. Cathy Vinnett divided her time between operating the tax preparation businesses in Georgia and Louisiana.
11. In 2008, Cathy and Lashanda Vinnett continued to operate a tax preparation business from the same location at 111 Saint Rose Avenue, Saint Rose, Louisiana, however the name was changed to M&C Tax Service, to match the Georgia business.
12. The Electronic Filing Identification Number (EFIN) issued to Cathy Ross Vinnett for M&C Tax Services was suspended on May 8, 2008 due to her failure of the suitability check performed by the IRS. Thereafter, Cathy and Lashanda began using an EFIN that had been issued to Charles Nunnery.

13. In 2009, Cathy and Lashanda Vinnett began doing business as River Parish Tax Professionals at 526 East Airline Highway, La Place, Louisiana.
14. Cathy Vinnett directed her older brother, Darrell Ross, to obtain an occupational license, open bank accounts, and obtain an EFIN for River Parish Tax Professionals. However, instead of using the EFIN obtained by Darrell Ross, River Parish Tax Professionals filed returns using an EFIN obtained by Tradaysha Macon for a sole proprietorship called USA Tax Service without Ms. Macon's permission.
15. In 2010, Lashanda Vinnett began doing business as Remarkable Tax Service, located at 813 E. Hoover St., New Sarpy, Louisiana. Lashanda applied for an EFIN for Remarkable Tax Service on February 8, 2010, but her application was denied.

**D&C Tax Service (TETR Scheme)**

16. Cathy and Lashanda Vinnett did business as D&C Tax Service in 2007. The Vinnetts were the only people to prepare federal tax returns at that business. Cathy and Lashanda Vinnett prepared and filed 1,223 federal tax returns in total through D&C Tax Service. Of those 1,223 returns, nearly 100%, claimed a refund.
17. Cathy and Lashanda Vinnett prepared 1,148 federal tax returns for tax year 2006 that fraudulently claimed the telephone excise tax refund (TETR) credit on behalf of their clients in an amount that substantially exceeded the TETR standard amount.
18. The TETR credit was only applicable in tax year 2006. This credit gave taxpayers a one time credit for previously collected federal excise taxes on long-distance telephone service paid from March 2003 through June 2006. These taxpayers were given the option

to either claim the actual amount of federal excise tax paid for their long distance telephone service or they could claim a standard amount.

19. The Vinnetts fraudulently claimed approximately \$1.2 million in TETR credits on the federal tax returns they prepared for their customers in 2007. This amount of credit equates to preposterous long distance phone charges allegedly totaling \$41 million or an average of \$36,266 in long distance services between February 28, 2003 and August 1, 2006 per Vinnett customer claiming the TETR.
20. All of the federal tax returns prepared by the Vinnetts in 2007 were for customers with little to no income. In fact, 1,205 returns prepared by the Vinnetts in 2007 reported no taxable income. Of the 18 returns that did report taxable income, that income ranged from as low as \$44 to \$22,731.
21. Assuming each of the customers for whom the Vinnetts claimed the TETR were actually entitled to the highest standard TETR credit of \$60, the tax harm to the United States as a result of the Vinnetts claiming bogus inflated credits is approximately \$1.1 million.
22. Cathy and Lashanda Vinnett deposited into their personal bank accounts checks received from the IRS in response to the refunds they claimed on behalf of their customers.
23. The Vinnetts pocketed most of their customers' refunds based on the TETR, giving their customers only a very small amount, usually only \$200-400, of the \$1500-1600 TETR claimed. The Vinnetts gave a majority of their customers the customer's portion of the refund in cash or using a personal check from the Vinnetts' bank account.
24. For example, the 2006 federal income tax return Cathy Vinnett filed on behalf of Melvina Brooks requested a refund in the amount of \$2,197 for the Federal Telephone Excise Tax

allegedly paid by Ms. Brooks. This amount was determined from federal telephone excise taxes listed on Form 8913 attached to Ms. Brooks Form 1040 for tax year 2006. However, the taxes listed on Form 8913 were not substantiated.

25. In addition, Ms. Brooks only received approximately \$200 of the \$2,197 claimed on her behalf by the Vinnetts. The Vinnetts kept the remaining portion of the refund for themselves.
26. Lashanda Vinnett filed Form 8913 with Form 1040 for tax year 2006 on behalf of Fannie Brock. That return was in fact filed without Ms. Brock's knowledge or consent. Ms. Brock did not provide Lashanda Vinnett with any of the information included on the Form 8913.
27. Lashanda Vinnett filed Form 1040 for tax year 2006 on behalf of Fannie Brock requesting \$1,465 to be refunded. That refund was direct deposited by the IRS into Ms. Vinnett's bank account and Ms. Brock never received any of that money.
28. Lashanda Vinnett filed a Form 8913 that included fabricated information with a 2006 Form 1040EZ for Sarah Brown. The only document Ms. Brown presented to Cathy Vinnett was one phone bill for one month. From just that one document, Lashanda Vinnett then filed a Form 8913 reporting federal excise taxes in the amount of \$812 allegedly paid by Ms. Brown for each month from March 2003 through July 2006.
29. The Vinnetts had Ms. Brown's refund direct deposited into their bank account. Rather than forward that refund to Ms. Brown, at the time they filed Ms. Brown's return the Vinnetts wrote a check to Ms. Brown for a portion of her potential refund.

30. For tax year 2006, the Vinnetts consistently filed fraudulent Forms 8913 in order to improperly claim the TETR credit on behalf of their customers. The Vinnetts would then keep for themselves the majority of the refund received from the IRS without informing their customers.

**M&C Tax Service (EITC scheme)**

31. In 2008, the Vinnetts moved to a new (but common) tax preparation scheme. The TETR was only available during the 2006 tax year. In 2008, Cathy and Lashanda Vinnett filed fraudulent federal tax returns for tax year 2007 that improperly claimed the earned income tax credit (“EITC”) through their business, then called M&C Tax Service.
32. Cathy Vinnett did business as M&C Tax Service in Conyers, Georgia. At the same time, both Lashanda and Cathy Vinnett did business as M&C Tax Service in Saint Rose, Louisiana.
33. During 2008, the Vinnetts prepared 142 federal tax returns. Of those 142 returns, only 25 did not claim the EITC.
34. The EITC is a refundable tax credit available to certain low-income individuals. Claiming this credit can reduce a taxpayer's federal tax liability below zero, entitling the taxpayer to a refund from the United States Treasury. The requirements for claiming the EITC are located in 26 U.S.C. § 32.
35. The amount of the credit depends on the taxpayer's earned income, filing status, and number of dependents for which the taxpayer is responsible. Because of these variables, there is a certain combination of earned income, filing status, and number of dependents that corresponds to the maximum amount of credit allowed.

36. Because of the potential for abuse in claiming the EITC, Congress has authorized the Secretary of the Treasury to impose "due diligence" requirements on federal income tax return preparers claiming this credit for their clients. These "due diligence" requirements, which are set forth in 26 C.F.R. § 1.6695-2, obligate the return preparer to obtain specific information from the client, and to question the client to ensure that he/she is entitled to the EITC. Federal regulations require return preparers to document their compliance with these due diligence requirements, and retain that documentation for three years.
37. Cathy Vinnett was not familiar with the EITC worksheet and did not perform any due diligence when claiming the EITC for a customer on a federal tax return.
38. The Vinnetts prepared at least 117 fraudulent federal tax returns in 2008 that improperly claimed the EITC on behalf of their customers. As with the TETR refunds, most of the EITC based refunds were directly deposited into the Vinnetts' bank account. The Vinnetts did not then give their customers, on whose behalf the refund was claimed, the full amount of the refund received from the IRS.
39. In 2008, the Vinnetts claimed \$447,414 in refunds on Form 1040 for tax year 2007 on behalf of their customers.

**River Parish Tax Professionals (First-Time Homebuyer Credit Scheme)**

40. Building on their false credit habits, in 2009, the Vinnetts began doing business as River Parish Tax Professionals in La Place, Louisiana.
41. In order to attract business to River Parish Tax Professionals, the Vinnetts paid recruiters to go to low-income-areas to solicit names, addresses, and social security numbers under the guise of promising people free money.

42. During 2009, the Vinnetts prepared 310 federal tax returns through River Parish Tax Professionals. Of those 310 returns, 307 requested a refund.
43. Of the 310 returns prepared by the Vinnetts in 2009, the IRS determined that 163 returns improperly and/or fraudulently claimed the first-time homebuyer credit.
44. In July 2008, as a means to strengthen the real estate market and help the ailing economy, Congress enacted the first-time homebuyer credit. The credit allowed first-time homebuyers a credit against their federal income tax of the lesser of ten percent of the home's purchase price or \$8,000. Like the EITC, the first-time homebuyer credit is refundable, and a taxpayer eligible for the credit may receive a refund up to the full amount of the credit even if the taxpayer did not pay any federal income taxes that year.
45. A taxpayer can claim the credit, described in 26 U.S.C. § 36, by completing an IRS Form 5405 and attaching it to his or her income tax return. Form 5405 sets forth the requirements for credit eligibility.
46. To be eligible for the credit (as in effect for tax year 2008), a taxpayer must not have owned a home in the previous three years ending on the date of the purchase and, for the 2008 tax year, the taxpayer must have actually purchased a home after April 8, 2008, and before January 1, 2009. In addition, the taxpayer may only claim the credit for a purchase of a primary residence.
47. The Form 1040 for tax year 2008 the Vinnetts filed on behalf of Ruven Brown includes Form 5405 claiming the first-time homebuyer credit in the amount of \$6,029. Form 5405 states that Mr. Brown bought a house located at 1228 South Robertson Street, New

Olreans, Louisiana. However, there is no structure, home or otherwise, located at 1228 South Robertson Street, New Orleans, Louisiana.

48. The Form 1040 for tax year 2008 the Vinnetts filed on behalf of Dominique Taylor includes Form 5405 claiming the first-time homebuyer credit in the amount of \$6,654. Form 5405 states that Ms. Taylor bought a house located at 4019 Skyview Drive, New Orleans, Louisiana. However, that address is bogus.
49. The Form 1040 for tax year 2008 the Vinnetts filed on behalf of Jacob McQueen includes Form 5405 claiming the first-time homebuyer credit in the amount of \$6,740. Form 5405 states that Mr. McQueen bought a house located at 2819 Mistletoe Street, New Orleans, Louisiana. However, according to the Orleans Parish Assessor's Office, that property is owned by Daniel Mayer, not Jacob McQueen.
50. The Form 1040 for tax year 2008 the Vinnetts filed on behalf of Shirley Ware includes Form 5405 claiming the first-time homebuyer credit in the amount of \$4,050. Form 5405 states that Ms. Ware bought a house located at "2514 Feret (sic) Street, New Orleans, Louisiana." However, Ms. Ware rented the home at that address and never bought it.
51. Ms. Ware also never received any of the \$4,050 claimed on her behalf by the Vinnetts. Instead, that money was directly deposited into the Vinnetts' bank account.
52. The Form 1040 for tax year 2008 the Vinnetts filed on behalf of Yolanda Williams includes Form 5405 claiming the first-time homebuyer credit in the amount of \$6,175. Form 5405 states that Ms. Williams bought a house located at 3162 Lancaster Street, New Orleans, Louisiana. However, Ms. Williams did not buy any property in 2008 and has only lived at 3129 Lancaster Street, New Orleans, Louisiana since 2007.

53. Ms. Williams only received \$1,900 out of the \$6,175 credit claimed by the Vinnetts on her behalf. She received this money in the form of a check drawn on the Vinnetts' bank account.
54. Due to the 163 federal tax returns prepared by the Vinnetts and identified by the IRS as improperly or fraudulently claiming the first-time homebuyer credit, \$1,067,749 in claimed credits were reversed.
55. In addition to the impropriety of the refunds claimed by the Vinnetts, the Vinnetts also kept a majority of that fraudulently claimed refund money for themselves without their customers knowledge or consent.

#### **Harm to the United States and the Public**

56. Between just the TETR and first-time homebuyer credit schemes perpetrated by the Vinnetts, the IRS estimates that the tax harm to the United States could be as much as \$2.2 million.
57. In addition to the tax harm to the United States, the Vinnetts also defrauded the majority of their customers by purporting to file, in exchange for a fee, true and accurate returns which entitled their customers to refunds and then failing to forward to them the full amounts of the refunds claimed on their behalf.
58. Instead, the Vinnetts continuously and consistently claimed fraudulent and exorbitant refunds on behalf of their customers and deposited the majority of those refunds directly into their own bank accounts.

**Count I:  
Injunction Under 26 U.S.C. §§ 7407 and 7408**

59. The United States incorporates by reference the allegations in paragraphs 1 through 58.
60. Under 26 U.S.C. § 7407, the United States is authorized to seek an injunction against any tax return preparer who has engaged in any “fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws,” or who has “engaged in any conduct subject to penalty under section 6694 or 6695.”
61. 26 U.S.C. § 6694 provides that a tax return preparer is subject to penalty if he or she prepares a return or claim for refund understating the taxpayer’s liability due to a position for which there is no substantial authority. A return preparer is subject to a larger penalty if the understatement of liability is due to the preparer’s willful attempt to understate the liability or is the result of the reckless or intentional disregard of rules or regulations.
62. 26 U.S.C. § 6695(g) penalizes any tax return preparer who fails to comply with due diligence requirements with respect to determining a taxpayer’s eligibility for, or the amount of, the EITC.
63. Additionally, 26 U.S.C. § 7407 authorizes the Court to enjoin a person from further acting as a return preparer if the preparer has continually or repeatedly engaged in such conduct and an injunction prohibiting only the unlawful conduct would not be sufficient to prevent the preparer from further interfering with the proper administration of the internal revenue laws.
64. Under 26 U.S.C. § 7408, the Court is authorized to enjoin any person from further engaging in conduct subject to penalty under 26 U.S.C. § 6700 or § 6701, if the injunctive relief is appropriate to prevent recurrence of that conduct.

65. 26 U.S.C. § 6701 penalizes any person who prepares, or assists in the preparation of, any 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 so used it would result in an understatement of another person's tax liability.
66. Cathy and Lashanda Vinnett have continually and repeatedly prepared tax returns that claim fraudulent refunds and credits based on the TETR, EITC and First-time homebuyer credit.
67. In connection with fraudulently claiming refunds on behalf of their customers, the Vinnetts have continually and repeatedly prepared and submitted federal tax returns that include bogus Forms 8913 (TETR) and 5405 (First-time homebuyer credit) that report information which is unsubstantiated or completely fabricated. The Vinnetts have willfully claimed these bogus refunds on behalf of their customers and have thus engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 and 6701.
68. Injunctive relief is appropriate to prevent this misconduct because, absent an injunction, the Vinnetts are likely to continue to prepare false federal tax returns and engage in other misconduct of the type described in this complaint. Such relief is also appropriate because the Vinnetts have shown they will change the false tax scheme they are perpetrating depending on changes in the law and/or which scheme is the easiest for them to use.

69. Not only did the Vinnetts fail to exercise due diligence when preparing returns that claimed the EITC on behalf of their customers, but Cathy Vinnett is not even familiar with the EITC worksheet nor with the due diligence requirements for return preparers.
70. The Vinnetts have also consistently claimed exorbitant and fraudulent refunds on behalf of their customers in order to have those refunds directly deposited into their own bank accounts.
71. Cathy and Lashanda Vinnett should be permanently enjoined under 26 U.S.C. § 7407 from acting as tax return preparers because a more limited injunction would be insufficient to stop their interference with the proper administration of the tax laws. They should also be enjoined under 26 U.S.C. § 7408 from further engaging in conduct subject to penalty under 26 U.S.C. § 6701.

**Count II:  
Injunction under 26 U.S.C. § 7402**

72. The United States incorporates by reference paragraphs 1 through 71.
73. 26 U.S.C. § 7402(a) authorizes the court to issue an injunction “as may be necessary or appropriate for the enforcement of the internal revenue laws.” The remedies available to the United States under this statute “are in addition to and not exclusive of any and all other remedies.” 26 U.S.C. § 7402(a).
74. Through the actions described above, Cathy and Lashanda Vinnett have engaged in conduct that substantially interferes with the administration and enforcement of the internal revenue laws, and they are likely to continue to engage in such conduct unless enjoined.

75. The Vinnetts' conduct causes irreparable injury to the United States and an injunction under 26 U.S.C. § 7402(a) is necessary and appropriate.
76. Unless the Vinnetts are enjoined, the IRS will have to devote substantial time and resources to examining their customers' tax returns and liabilities.
77. Unless the Vinnetts are enjoined, the customers relying on the Vinnetts' federal tax return preparation services may be subject to additional tax liabilities along with interest and penalties as a result of the Vinnetts' fraudulent tax return preparation.

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

- A. That the Court find that Cathy and Lashanda Vinnett have repeatedly and continually engaged in conduct subject to penalty under 26 U.S.C. §§ 6694, 6695(g), and 6701 and that injunctive relief is appropriate under 26 U.S.C. §§ 7407 and 7408 to bar Cathy and Lashanda Vinnett from acting as tax return preparers and from engaging in conduct subject to penalty under 26 U.S.C. § 6701;
- B. That the Court find that Cathy and Lashanda Vinnett have engaged in conduct that interferes with the enforcement of the internal revenue laws and substantially interferes with the proper administration of the internal revenue laws, and that injunctive relief against her is appropriate to prevent the recurrence of that conduct pursuant to 26 U.S.C. §§ 7407 and 7402(a);
- C. That the Court, under 26 U.S.C. §§ 7402 and 7407, enter a permanent injunction prohibiting Cathy and Lashanda Vinnett and their representatives, agents,

servants, employees, attorneys, independent contractors, and anyone in active concert or participation with them, from directly or indirectly;

- (1) acting as a federal tax return preparer or otherwise directly or indirectly preparing or filing, advising with respect to, or assisting in the preparation or filing of any federal tax return for any other person or entity;
- (2) engaging in any conduct subject to penalty under 26 U.S.C. §§ 6694, 6695, and/or 6701, including preparing any part of a return or claim for refund that includes an understatement due to an unreasonable position or a willful understatement of tax;
- (3) engaging in conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws; and
- (4) engaging in any other activity subject to penalty under the Internal Revenue Code.

D. That the Court, under 26 U.S.C. § 7402, enter an injunction requiring Cathy and Lashanda Vinnett to contact all persons and entities for whom they prepared any federal tax return or other tax-related document after January 1, 2007 and inform those persons of the entry of the Court's findings concerning the falsity of representations the Vinnetts made on their customers' tax returns, and that a permanent injunction has been entered against them;

E. That the Court, under 26 U.S.C. § 7402, enter an injunction requiring the Vinnetts to turn over to counsel for the United States a list of the names, addresses, e-mail addresses, phone numbers, and Social Security numbers of all individuals or

entities for whom they prepared or helped to prepare any tax-related documents, including claims for refund or tax returns since January 1, 2007;

- F. That the Court order that the United States is permitted to engage in post-judgment discovery to ensure compliance with the permanent injunction; and
- G. That this Court grant the United States such other relief, including costs, as is just and equitable.

Dated: July 1, 2011

Respectfully submitted,

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United States Attorney

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