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13 UNITED STATES DISTRICT COURT  
14 DISTRICT OF NEVADA

15 UNITED STATES OF AMERICA, )  
16 )  
17 Plaintiff, )

18 v. )

Civil No.

19 MARGE L. CELLINI and HARRY PORTNOY, )  
20 individually, and d/b/a TAX FACTORY, INC., )  
21 and/or MYST INC., )  
22 Defendants. )

**Complaint For Permanent Injunction  
And Other Relief**

23 The United States of America, for its Complaint against defendants Marge L. Cellini and  
24 Harry Portnoy, individually and doing business as Tax Factory, Inc. and/or Myst Inc.  
25 (collectively, “defendants”), states as follows:

**Nature of the Action**

26 1. The United States brings this Complaint pursuant to 26 U.S.C. (“I.R.C.”) §§ 7402, 7407  
27 and 7408 to enjoin defendants, and any other entity or persons in active concert or participation  
28 with them, from preparing or assisting in the preparation of federal tax returns for others, directly  
or indirectly engaging in conduct subject to penalty under I.R.C. §§ 6694, 6695, and 6701, and  
from engaging in conduct that substantially interferes with the proper administration and  
enforcement of the internal revenue laws.

1 **Jurisdiction and Venue**

2 2. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345, and I.R.C. §§  
3 7401, 7402(a).

4 3. Venue is proper in this Court pursuant to 28 U.S.C. § 1391 and I.R.C. §§ 7407(a),  
5 7408(a) because the defendants reside in this judicial district and a substantial part of the conduct  
6 described in this Complaint occurred in this judicial district.

7 **Authorization**

8 4. This action has been requested by the Chief Counsel of the Internal Revenue Service  
9 (“IRS”), a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate  
10 of the Attorney General.

11 **Background**

12 5. Marge L. Cellini (“Cellini”) resides in Las Vegas, Nevada, at a location within this  
13 judicial district. Cellini is a paid federal tax return preparer operating in the Las Vegas, Nevada  
14 area. Cellini claims to hold degrees in media and accounting from the University of California at  
15 Los Angeles. Cellini was at one time a clerical employee for the IRS. Cellini has been preparing  
16 federal tax returns for a fee for over ten years.

17 6. Harry Portnoy (“Portnoy”) resides in Las Vegas, Nevada, at a location within this judicial  
18 district. Portnoy is a paid federal tax return preparer operating in the Las Vegas, Nevada area.  
19 Portnoy has been preparing federal tax returns for a fee since at least 2008.

20 7. Cellini and Portnoy do business as the Tax Factory, Inc. (“Tax Factory”) at 6845A West  
21 Charleston Boulevard, Las Vegas, Nevada, a location within this judicial district.<sup>1</sup>

22 8. Cellini and Portnoy have been married since 2005.

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<sup>1</sup> The Tax Factory’s previous location was 6130 West Tropicana, Suite 175, Las Vegas,  
28 Nevada, also within this judicial district.

### Overview of Defendants' Activities

1  
2 9. Defendants have continually, repeatedly, and knowingly prepared for their customers  
3 federal income tax returns which include inflated or false deductions in order to fraudulently  
4 reduce their customers' reported federal income tax liabilities. Defendants concoct these  
5 improper deductions in a willful attempt to understate their customers' tax liabilities, resulting in  
6 improper and inflated refunds for their customers. Defendants also knew, or should have known,  
7 that the improper deductions, which led to an understatement of their customers' federal income  
8 tax liabilities, were due to unreasonable positions.

9 10. Defendants engage in a pattern of claiming inflated or false itemized deductions listed on  
10 Schedule A of Form 1040. Defendants routinely inflate or fabricate the itemized deductions  
11 reported on Schedule A of Form 1040 in order to reduce their customers' reported tax liability,  
12 resulting in improper and inflated refunds for their customers.

13 11. Defendants have also continually, repeatedly, and knowingly prepared federal income tax  
14 returns for their customers that fraudulently under-report and/or reduce their customers' taxable  
15 income by falsely claiming losses from business activities on their customers' individual income  
16 tax returns.

17 12. In addition to preparing tax returns, defendants provide "business start-up services,"  
18 including the registration and incorporation of business entities, typically Subchapter S  
19 Corporations ("S Corporations"). S Corporations, referred to as "pass-through" entities, do not  
20 pay any corporate level income tax. Rather, S Corporations file information returns, and income  
21 from an S Corporation is "passed through" to the owner(s) of the corporation and reported on  
22 their individual income tax returns.

23 13. Defendants advise their customers to form S Corporations. For a fee, defendants assist  
24 their customers in the process of forming the S Corporation. After the S Corporation is formed,  
25 defendants prepare their customers' Forms 1120S (the federal income tax return filed by S  
26 Corporations), claiming false and inflated deductions for business expenses. The false and  
27 inflated corporate deductions create phony business losses or reductions in corporate income that  
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1 carry over to the customers' individual income tax return, fraudulently reducing the customers'  
2 taxable income. Put simply, defendants prepare fraudulent S Corporation information returns  
3 and individual income tax returns for their customers, using the S Corporations to concoct phony  
4 business losses, deduct them, and reduce their customers' overall tax liability.

5 14. The IRS commenced an investigation of the defendants' activities after discovery of  
6 numerous improper tax returns prepared by Cellini, Portnoy, and/or the Tax Factory. In some  
7 instances, the IRS was notified by tax preparation professionals who prepared amended returns  
8 for customers who had previously had their tax returns prepared by the defendants. Review of  
9 the returns prepared by defendants prompted these tax preparation professionals to notify the  
10 IRS.

#### 11 **Specific Examples of Defendants' Fraudulent Tax Return Preparation**

##### 12 *Use of S Corporations to Falsely Reduce Personal Income Tax Liability*

13 15. Defendants prepared a 2006 individual income tax return for Carl Landi. Defendants also  
14 prepared a 2006 information return for International Land Financial Service, Inc. ("International  
15 Land"), an S Corporation that defendants advised Landi to create. On the S Corporation return,  
16 defendants reported business income of \$500, and business expenses for, among other things,  
17 "auto," "accounting," "supplies," and "commissions." Based largely on these deductions –  
18 which totaled \$37,020 – defendants reported that International Land suffered a net business loss  
19 of \$36,520. But Landi informed the IRS that International Land did not incur \$37,020 in  
20 business expenses as reported on the S Corporation return. Defendants grossly exaggerated  
21 and/or completely fabricated the business expenses. Nevertheless, defendants reported the loss  
22 on Landi's individual income tax return, resulting in an improper refund of nearly \$7,000.

23 16. Defendants prepared 2006 and 2007 individual income tax returns for Edward Soebbing.  
24 Defendants also prepared 2006 and 2007 information returns for Soebbing Flooring Inc.  
25 ("Soebbing Flooring"), an S Corporation owned and operated by Soebbing. For tax years 2006  
26 and 2007, defendants prepared the information returns for Soebbing Flooring without relying on  
27 any business records or underlying documents (such as tax forms, sales receipts, cancelled  
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1 checks, bank deposit slips, ledgers, or spreadsheets) and falsely under-reported Soebbing  
2 Flooring's gross receipts by over \$1.1 million. Remarkably, defendants informed Soebbing that  
3 they did not need any such underlying documents or information in order to properly prepare his  
4 tax returns. Defendants also failed to report Soebbing's taxable social security benefits on his  
5 individual income tax returns. Despite his significant income, defendants' practices resulted in  
6 Soebbing reporting no tax liability for both the 2006 and 2007 tax years. In actuality, Soebbing  
7 owed nearly \$80,000 in taxes.

8 17. Defendants prepared a 2007 individual income tax return for David L. Navratil.  
9 Defendants also prepared the 2007 information return for David L. Navratil, M.D., Ltd.  
10 ("Navratil Ltd., Inc."), a personal service corporation owned and operated by Navratil. Navratil  
11 Ltd., Inc. served as a partner of Cardiovascular Consultants of Nevada ("CCN"), the private  
12 medical practice where Navratil worked as a cardiologist. Navratil Ltd., Inc. received income in  
13 the form of partnership distributions from CCN, as reported on Schedule K-1. In 2007, the  
14 Schedule K-1 issued by CCN reported over \$1 million in guaranteed payments and partnership  
15 distributions. Defendants, however, failed to report a substantial portion of that income on the  
16 Navratil Ltd., Inc. information return; in fact, defendants *deducted* another portion of the income  
17 as an expense of Navratil Ltd., Inc. In all, defendants' practices resulted in Navratil Ltd., Inc.  
18 reporting a net business loss when, in fact, the company earned over \$455,000 of taxable income  
19 which should have "passed through" to Navratil's 2007 individual income tax return.  
20 Defendants' practices resulted in an improper refund of over \$171,000 for Navratil in 2007.

21 18. Defendants prepared 2006 and 2007 individual income tax returns for Fayette Carillo, a  
22 self-employed manicurist. Defendants also prepared the 2006 and 2007 information returns for  
23 Purple Haze Nail Enterprises, Inc. ("Purple Haze"), an S Corporation owned and operated by  
24 Carillo. Defendants informed Carillo that she could save money on taxes through the use of an S  
25 Corporation. For a fee, defendants prepared the necessary documents to create Purple Haze. On  
26 both the 2006 and 2007 returns for Purple Haze, defendants reported business expense  
27 deductions totaling nearly \$53,000. At a subsequent audit, however, Carillo could only  
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1 substantiate \$26,140 worth of deductions. Carillo informed the IRS that she did not provide  
2 defendants with information regarding any additional expenses and did not discuss any additional  
3 expenses with defendants. The inflated deductions on the corporation's tax returns reduced the  
4 flow-through income on Carillo's federal income tax return, thereby reducing Carillo's tax  
5 liability. As a result of defendants' practices, Carillo's tax return falsely reported that she owed  
6 zero tax for both the 2006 and 2007 tax years. In fact, however, Carillo owed nearly \$3,000 in  
7 taxes.

8 19. Defendants prepared 2006 and 2007 joint individual income tax returns for Rajan and  
9 Nirmala Rasiah, as well as the 2006 and 2007 S Corporation information returns for Nimraj  
10 Enterprises, a financial and real estate services company owned and operated by Rajan Rasiah.  
11 Defendants had earlier advised Rajan Rasiah to form Nimraj Enterprises as a way to save money  
12 on taxes. For a fee, defendants prepared the necessary incorporation documents for Rajan  
13 Rasiah.

14 20. On the 2006 and 2007 information returns, defendants reported grossly exaggerated  
15 business deductions that exceeded gross receipts, resulting in significant business losses. For  
16 example, on the 2006 information return, the defendants reported a \$25,671 expense for "outside  
17 services;" on the 2007 information return, the defendants reported a \$75,627 deduction for  
18 "miscellaneous" expenses. Upon audit, the couple provided the IRS with documents and  
19 information regarding their business expenses, and informed the IRS examiners that they  
20 provided the very same information to defendants for purposes of preparing their tax returns.  
21 None of the documents provided to the IRS examiners described any business expenses for  
22 "outside services" or "miscellaneous" expenses in the amounts claimed. The IRS disallowed  
23 both deductions in their entirety.

24 21. The bogus deductions on the Nimraj Enterprises returns reduced the flow-through income  
25 on the couple's joint individual income tax returns. In fact, the defendants' practices resulted in  
26 improper refunds of \$17,790 and \$19,251 for tax years 2006 and 2007, respectively. The couple  
27 actually owed over \$47,000 in taxes for those years.

Use of Inflated or False Itemized Deductions Listed on Schedule A

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2 22. Defendants prepared a 2006 individual income tax return for Arthur Maisto. Defendants  
3 reported a total of \$57,612 in itemized deductions on the Schedule A submitted with that 2006  
4 return, including charitable contributions of \$10,100 and unreimbursed employee expenses in the  
5 amount of \$38,560. Maisto was not aware that defendants reported these deductions on his 2006  
6 individual income tax return – and he did not provide defendants with any information regarding  
7 such contributions or expenses. Defendants reported the Schedule A deductions in a deliberate  
8 effort to create an improper refund for Maisto.

9 23. Defendants prepared joint individual income tax returns for Kenneth and Charlene  
10 Bloomfield for tax years 2005, 2006, and 2007. On the 2005 and 2007 returns, defendants  
11 claimed expenses of \$3,250 and \$776, respectively, for interest paid by the Bloomfields during  
12 the taxable year. When asked about these expenses by the IRS, however, the Bloomfields stated  
13 that they did not know what the figures represent, or even why these figures were listed on the  
14 returns. Similarly, defendants claimed unreimbursed employee expenses on the Bloomfields’  
15 2005, 2006, and 2007 returns, in the amounts of \$9,867, \$8,326, and \$2,346, respectively. But  
16 Mr. Bloomfield told the IRS that he did not incur the unreimbursed employee expenses – and did  
17 not provide these figures to the defendants. On the 2007 return, defendants claimed a deduction  
18 for \$2,500 in personal property tax; again, however, the Bloomfields informed the IRS that they  
19 did not incur the expense, and did not provide the figure to the defendants.

20 24. Defendants prepared an individual income tax return for Joseph Cesarz for tax year 2007.  
21 Defendants claimed a \$5,782 deduction for unreimbursed employee expenses on the 2007 return.  
22 As Cesarz informed the IRS, however, he never provided defendants with amounts for  
23 unreimbursed employee expenses that he paid in 2007 and he did not know how the defendants  
24 came up with the figure listed on the return.

25 25. Defendants prepared a joint individual income tax return for Scott and Cynthia Jackson  
26 for tax year 2007. The Jacksons informed the IRS that they did not have any unreimbursed  
27 employee expenses for tax year 2007, and they did not tell defendants of any such expenses.  
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1 Nevertheless, defendants claimed a \$5,346 deduction for unreimbursed employee expenses on  
2 the Jacksons' 2007 return. Defendants also claimed a \$550 deduction for qualified mortgage  
3 insurance premiums on the 2007 return. When asked about this deduction, the Jacksons  
4 informed the IRS that they did not know what the figure represented, and they did not tell  
5 defendants that they paid for qualified mortgage insurance in 2007.

6 26. Defendants prepared joint individual income tax returns for Brad and Treya Meyer for tax  
7 years 2006 and 2007. On the 2006 return, defendants claimed a \$2,595 deduction for personal  
8 property tax expenses. But the Meyers told IRS investigators that they did not pay personal  
9 property taxes in 2006 and did not provide this figure to the defendants. Defendants also claimed  
10 a \$9,586 deduction on the 2006 return for interest purportedly paid by the Meyers based on  
11 points not reported on a Form 1098. Again, however, the Meyers informed the IRS that they did  
12 not pay the amount listed, their last home refinancing was in 2005, and they did not provide  
13 defendants with the figure listed on the return.

14 27. On the 2007 return, defendants claimed a \$3,250 deduction for personal property tax  
15 expenses. But the Meyers told IRS investigators that they did not pay personal property taxes in  
16 2007 and did not provide this figure to the defendants. When Mr. Meyer asked Cellini how she  
17 was able to get such a large refund, Cellini replied that "I worked for the IRS for 20 something  
18 years. I know how it all works." Cellini continued: "You have a great American sounding name.  
19 The IRS will never audit you. They aren't looking to audit people with names like yours because  
20 it doesn't raise a red flag."

21 28. Defendants prepared joint individual income tax returns for L'Houssain Najari and Najat  
22 Aguilal for tax years 2006 and 2007. In both years, Najari, a Las Vegas resident, worked as a  
23 prep chef in the pantry at the MGM Casino in Las Vegas. On the 2006 return, defendants  
24 claimed a \$16,308 deduction for unreimbursed employee expenses for, among other things,  
25 work-related travel and overnight expenses. Likewise, on the 2007 return, defendants claimed a  
26 \$15,092 deduction for unreimbursed employee expenses for similar work-related travel and  
27 overnight expenses. Najari told the IRS that he never incurred these expenses because he never  
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1 traveled for work or stayed overnight for work. Najari told the IRS that he never provided the  
2 figures for unreimbursed employee expenses to the defendants. On the 2006 return, defendants  
3 claimed that the couple had \$1,398 in education credits. Najari and Aguilal informed the IRS  
4 that they did not attend any schools or seminars, did not purchase any books, and did not pay any  
5 tuition in 2006; moreover, they did not tell defendants they had any such expenses in 2006.

6 29. Defendants prepared an individual income tax return for Victor Pandolfi for tax year  
7 2006; defendants also prepared a joint individual income tax return for Victor Pandolfi and  
8 Randee Emmett for tax year 2007. On the 2006 return, defendants reported a long-term capital  
9 loss in the amount of \$1,356. Pandolfi informed the IRS that he never bought or sold stock or  
10 made other capital investments and has never realized a long-term capital loss. Pandolfi stated  
11 that he does not know why a long-term capital loss carryover was included on the Schedule D  
12 attached to his 2006 return because he never provided any such figure to the defendants.

13 Defendants also claimed deductions for personal property taxes and unreimbursed employee  
14 business expenses in the amounts of \$3,950 and \$7,950, respectively, on the 2006 return. Again,  
15 however, Pandolfi stated that he did not incur these expenses and he did not tell defendants  
16 otherwise.

17 30. On the 2007 return, defendants listed a short-term capital loss in the amount of \$1,465.  
18 According to Pandolfi and Emmett, however, they did not buy or sell stocks or any capital  
19 investments or assets that year. In addition, neither Pandolfi nor Emmett provided defendants  
20 with the figure listed as a short-term capital loss on the 2007 return. Finally, on the 2007 return,  
21 defendants claimed deductions for personal property taxes and interest payments in the amounts  
22 of \$3,586 and \$3,000, respectively. But, as they informed the IRS, Pandolfi and Emmett did not  
23 incur these expenses and they did not tell defendants otherwise.

24 31. Defendants prepared joint individual income tax returns for Brian and Jennifer Rathbun  
25 for tax years 2006 and 2007. On the 2006 return, defendants claimed a \$2,950 deduction for  
26 personal property tax expenses, a \$7,560 deduction for certain interest payment expenses, and  
27 additional deductions for unreimbursed employee expenses related to parking and travel. But the  
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1 Rathbuns told IRS investigators that they did not incur these expenses and did not provide these  
2 figures to the defendants.

3 32. On the 2007 return, defendants excluded \$1,584 in taxable interest the Rathbuns received  
4 from their credit union. In an interview with the IRS, the Rathbuns stated that a copy of the  
5 relevant Form 1099-INT was included among the tax-related documents they provided to  
6 defendants. The Rathbuns did not know why the income was excluded, and they never told the  
7 defendants to exclude it. In addition, though defendants listed deductions on the 2007 return for  
8 personal property tax expenses as well as unreimbursed employee business expenses for travel,  
9 transportation, parking, and overnight stays, the Rathbuns informed the IRS that they never  
10 incurred these expenses and did not provide the listed figures to the defendants.

#### 11 **Additional Misconduct by Defendants**

12 33. In an apparent attempt to hide their improper and illegal tax return preparation – or at  
13 least to impede the efforts of the IRS to trace fraudulent tax returns to defendants’ practice –  
14 defendants continually and repeatedly fail to sign many of the returns they prepare for their  
15 customers. Defendants’ failures in this regard are subject to penalty under I.R.C. § 6695(b),  
16 which penalizes a return preparer who fails to sign a return.

17 34. Likewise, defendants continually and repeatedly fail to accurately disclose their names  
18 and social security numbers or, alternatively, a unique preparer identification number, called a  
19 Preparer Tax Identification Number (“PTIN”), on many of the returns that they prepare. As  
20 income tax return preparers, defendants are required to disclose their names and social security  
21 numbers or, alternatively, a PTIN, on each return they prepare so as to accurately identify  
22 themselves as the preparer of the return.

23 35. Nevertheless, on many of the returns prepared by defendants, the only identifying  
24 information is a stamp or label that merely says “The Tax Factory” or “T.F. Service,” along with  
25 a street address.

26 36. When defendants do provide an identification number on the tax returns they prepare,  
27 they generally use a number that is not assigned to them. In fact, the identification number  
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1 generally used by defendants is the social security number of Marge Cellini's ex-husband, Henry  
2 Rosner, whom she divorced in 1993. Defendants fraudulently used this social security number as  
3 a tax preparer identification number on 717 different individual income tax returns that were  
4 processed by the IRS from 2006 to 2008.

5 37. In some instances, defendants use the employer identification number of Myst Inc. as the  
6 tax preparer identifier on tax returns they prepare for customers. Myst Inc. is a separate  
7 corporation owned and operated by Marge Cellini.

8 38. Defendants' conduct in this regard is subject to penalty under I.R.C. § 6695(c), which  
9 penalizes a return preparer who fails to disclose his or her social security number or other  
10 identifying number on a return, as required by I.R.C. § 6109(a)(4).

11 39. By letter dated May 2, 2006, the IRS requested that defendants produce copies of the  
12 returns they prepared or, alternatively, a list of the names and taxpayer identification numbers of  
13 persons for whom defendants prepared tax returns. Defendants failed to comply with the request.  
14 Defendants' failure in this regard is subject to penalty under I.R.C. § 6695(d), which penalizes a  
15 return preparer who fails to maintain copies of the returns that he or she prepared (or alternatively  
16 client lists) and/or fails to provide this information to the IRS when requested, as required by  
17 I.R.C. § 6107(b).

#### 18 **Harm to the Public Caused by Defendants' Misconduct**

19 40. The defendants' conduct harms the United States because defendants' customers are  
20 under-reporting and under-paying their correct tax liabilities. On all of the returns prepared by  
21 defendants and examined by the IRS, the IRS has identified numerous problems, including  
22 continual and repeated claims of false expenses and deductions and under-reporting of  
23 customers' income.

24 41. The IRS has identified 826 individual income tax returns – and an additional 165  
25 corporate tax returns – prepared by the defendants for the tax years 2001, 2003, 2004, 2005,  
26 2006, and 2007. With respect to the 826 individual income tax returns identified by the IRS,  
27 defendants claimed refunds for their customers on nearly 90% of those returns.

1 42. The magnitude of lost tax revenue caused by defendants' schemes is enormous. The IRS  
2 reviewed the files related to at least 19 different customers who had their individual income  
3 and/or corporate tax returns prepared by defendants during the 2004, 2005, 2006, and 2007 tax  
4 years. The total tax deficiency resulting from these examinations (representing a fraction of the  
5 total number of returns prepared by defendants) was more than \$1.1 million. Considering that  
6 the IRS has identified 747 individual income tax returns prepared by defendants for the 2006 and  
7 2007 tax years, the total harm to the government for these two years alone could be tens of  
8 millions of dollars.

9 43. In addition to the direct harm caused by preparing tax returns that understate customers'  
10 tax liabilities, the defendants' activities undermine public confidence in the administration of the  
11 federal tax system and encourage noncompliance with the internal revenue laws.

12 44. The defendants' conduct further harms the United States because the IRS must devote its  
13 limited resources to identifying the defendants' customers, ascertaining their correct tax  
14 liabilities, recovering any refunds erroneously issued, and collecting any additional taxes and  
15 penalties assessed.

16 **Count I: Injunction under I.R.C. § 7407**

17 45. The United States incorporates by reference the allegations contained in paragraphs 1  
18 through 44.

19 46. Pursuant to I.R.C. § 7407, the United States is authorized to seek an injunction against  
20 any tax return preparer who has engaged in any "fraudulent or deceptive conduct which  
21 substantially interferes with the proper administration of the Internal Revenue laws," or who has  
22 "engaged in any conduct subject to penalty under section 6694 or 6695."

23 47. Pursuant to I.R.C. § 6694, a tax return preparer is subject to penalty if he or she prepares a  
24 return or claim for refund understating the taxpayer's liability due to an unreasonable position  
25 (one for which there is no substantial authority), and the preparer knew or should have known of  
26 the position. A return preparer is subject to a larger penalty if the understatement of liability is  
27 due to the preparer's willful attempt to understate the liability or the reckless or intentional  
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1 disregard of rules or regulations.

2 48. If a return preparer's misconduct is continual or repeated and the court finds that a  
3 narrower injunction (*i.e.*, prohibiting specific enumerated conduct) would not be sufficient to  
4 prevent the preparer's interference with the proper administration of federal tax laws, the court  
5 may enjoin the person from further acting as a return preparer.

6 49. Defendants have continually and repeatedly prepared federal tax returns with inflated,  
7 exaggerated, and bogus deductions. Defendants have also continually and repeatedly submitted  
8 returns that willfully understate their customers' tax liability. Defendants have continually and  
9 repeatedly prepared returns that include fraudulent refund claims. Accordingly, defendants have  
10 engaged in conduct subject to penalty under I.R.C. § 6694.

11 50. Defendants have continually and repeatedly violated I.R.C. § 6695(b) by failing to sign  
12 the tax returns they prepare.

13 51. Defendants have continually and repeatedly violated I.R.C. § 6695(c) by failing to  
14 disclose social security numbers or other legitimate identifying number(s) on the tax returns they  
15 prepare.

16 52. Defendants violated I.R.C. § 6695(d) by failing to maintain copies of the returns that they  
17 prepared (or, alternatively, client lists) and/or failing to provide this information to the IRS when  
18 requested.

19 53. Injunctive relief is appropriate to prevent this misconduct because, absent an injunction,  
20 defendants are likely to continue to prepare fraudulent federal tax returns and engage in other  
21 misconduct of the type described in this Complaint.

22 54. Defendants should be permanently enjoined under I.R.C. § 7407 from acting as federal  
23 tax return preparers because a more limited injunction would be insufficient to stop them from  
24 interfering with the proper administration of the tax laws.

25 **Count II: Injunction under I.R.C. § 7408 for Violation of I.R.C. § 6701**

26 55. The United States incorporates by reference the allegations contained in paragraphs 1  
27 through 54.

1 56. Pursuant to I.R.C. § 7408, a district court is authorized to enjoin any person from, among  
2 other things, engaging in conduct subject to penalty under I.R.C. § 6701 if injunctive relief is  
3 appropriate to prevent recurrence of that conduct.

4 57. Pursuant to I.R.C. § 6701, a penalty is imposed on any person who aids or assists in,  
5 procures, or advises with respect to, the preparation of any portion of a return, affidavit, claim, or  
6 other document, who knows (or has reason to believe) that such portion will be used in  
7 connection with any material matter arising under the internal revenue laws, and who knows that  
8 such portion (if so used) would result in an understatement of the liability for tax of another  
9 person.

10 58. Defendants prepared tax returns containing fraudulent deductions and credits, for which  
11 they obviously lacked support or any other reasoned basis to include in the tax returns they  
12 prepared. Defendants prepared tax returns containing gross understatements of their customers'  
13 taxable income. Defendants prepared and filed hundreds of false tax returns, costing the U.S.  
14 Treasury millions of dollars in taxes.

15 59. Defendants engaged in the above-described conduct with awareness of the falsity of the  
16 tax returns, forms, and other documents they prepared.

17 60. Defendants prepared tax returns, and/or assisted in the preparation of such returns, forms,  
18 and other documents, that were intended to be used, and were used, in connection with material  
19 matters arising under the federal tax laws.

20 61. As a result, defendants have engaged in conduct subject to penalty under I.R.C. § 6701.

21 62. Unless enjoined by this Court, defendants are likely to continue to prepare tax returns  
22 containing false and fraudulent information and deductions, resulting in further understatements  
23 of their customers' tax liability. Injunctive relief is thus appropriate to prevent recurrence of  
24 defendants' misconduct.

25 **Count III: Injunction under I.R.C. § 7402**

26 63. The United States incorporates by reference the allegations contained in paragraphs 1  
27 through 62.

1 64. Pursuant to I.R.C. § 7402(a), a district court is authorized to issue injunctions as may be  
2 necessary or appropriate for the enforcement of the internal revenue laws, even if the United  
3 States has other remedies available for enforcing those laws.

4 65. Defendants, through the actions described above, have engaged in conduct that interferes  
5 substantially with the administration and enforcement of the internal revenue laws.

6 66. Defendants' conduct results in irreparable harm to the United States and to the public for  
7 which there is no adequate remedy at law.

8 67. Defendants' conduct interferes with the proper administration of the Internal Revenue  
9 Code because it results in frivolous filings with the IRS that hinder the IRS's ability to determine  
10 the correct tax liabilities of defendants' customers.

11 68. Unless enjoined, the IRS will continue to devote substantial time and resources to identify  
12 defendants' customers and examine their returns. This may be impossible given the IRS's scarce  
13 resources and the fact that defendants have attempted to evade detection by failing to identify  
14 themselves on the returns they prepare. This will cause the United States to suffer irreparable  
15 injury.

16 69. The United States is entitled to injunctive relief under I.R.C. § 7402(a) to prevent the  
17 recurrence of this misconduct.

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

19 A. That the Court find that defendants have continually and repeatedly engaged in  
20 conduct subject to penalty under I.R.C. §§ 6694, 6695, and 6701 and that injunctive relief is  
21 appropriate under I.R.C. §§ 7402, 7407, and 7408 to bar defendants from acting as tax return  
22 preparers;

23 B. That the Court find that defendants have engaged in conduct that substantially  
24 interferes with the enforcement and administration of the internal revenue laws, and that  
25 injunctive relief against them is appropriate to prevent the recurrence of that misconduct pursuant  
26 to I.R.C. §§ 7407 and 7402(a);

27 C. That the Court, under I.R.C. §§ 7402 and 7407, enter a permanent injunction  
28

1 forever barring defendants from acting as federal tax return preparers and from preparing or  
2 filing federal tax returns or forms for others, from representing others before the IRS, and from  
3 advising anyone concerning federal tax matters;

4 D. That the Court, under I.R.C. §§ 7402 and 7407, enter a permanent injunction  
5 prohibiting defendants and their representatives, agents, servants, employees, attorneys,  
6 independent contractors, and/or anyone in active concert or participation with them, from directly  
7 or indirectly:

- 8 (1) Preparing or filing, assisting in, or directing the preparation or filing, of  
9 any federal tax return or amended return or other related documents or  
10 forms for any other person or entity;
- 11 (2) Engaging in activity subject to penalty under I.R.C. §§ 6694 and 6695;
- 12 (3) Engaging in any other activity subject to penalty under the Internal  
13 Revenue Code; and
- 14 (4) Engaging in other conduct that substantially interferes with the proper  
15 administration and enforcement of the internal revenue laws;

16 E. That this Court, under I.R.C. §§ 7402 and 7408, enter a permanent injunction  
17 prohibiting defendants and their representatives, agents, servants, employees, and/or anyone in  
18 active concert or participation with them, from directly or indirectly:

- 19 (1) Assisting others in the preparation of any tax forms or other  
20 documents to be used in connection with any material matter  
21 arising under the internal revenue laws and which they know will  
22 (if so used) result in the understatement of tax liability; and
- 23 (2) Engaging in any other activity subject to penalty under I.R.C. §  
24 6701.

25 F. That this Court, under I.R.C. § 7402, enter a permanent injunction prohibiting  
26 defendants from preparing their own federal income tax returns claiming false income tax  
27 deductions and refunds;



1 G. That this Court, under I.R.C. § 7402, enter an injunction requiring defendants to  
2 contact by mail (and also by e-mail, if an e-mail address is known) those persons and entities  
3 who have, since January 1, 2008, paid or otherwise retained them to prepare their income tax  
4 returns and inform those persons of the entry of the Court's findings concerning the falsity of the  
5 representations defendants made on their customers' tax returns, and attach a copy of the  
6 permanent injunction entered against defendants. Defendants must mail the copies within 30  
7 days of the date the Court enters the permanent injunction against them and must file with the  
8 Court a sworn certificate stating that they have complied with this requirement. The mailings  
9 shall include a cover letter in a form either agreed to by counsel for the United States or approved  
10 by the Court, and shall not include any other documents or enclosures;

11 H. That this Court allow the government full post-judgment discovery to monitor  
12 defendants' compliance with the injunction; and

13 I. That this Court grant the United States such other and further relief as the Court  
14 deems just and appropriate.

15  
16 Dated: March 20, 2012

Respectfully submitted,

17  
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