

UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

United States of America,)	
)	
Plaintiff,)	Case No. 1:13-cv-3153-TWT
)	
v.)	
)	
Joan Leger and The 1804 Tax Group,)	
Inc., d/b/a/ Liberty Tax Service,)	
)	
Defendants.)	
_____	/	

COMPLAINT FOR PERMANENT INJUNCTION

The United States of America files this complaint for permanent injunction and alleges as follows:

1. This is a civil action brought by the United States of America under sections 7402(a), 7407 and 7408 of the Internal Revenue Code (26 U.S.C.) to enjoin Joan Leger and The 1804 Tax Group, Inc., d/b/a Liberty Tax Service, from:
 - a. Preparing, filing or assisting in the preparation or filing of any federal income tax returns, amended returns, and any other related documents and forms for any other person or entity;
 - b. Preparing or assisting in the preparation of federal tax returns that she knows will result in the understatement of any tax liability or the overstatement of federal tax refunds;

- c. Engaging in conduct subject to penalty under 26 U.S.C. §§ 6694, 6695 or 6701, including understating a taxpayer's liability, overstating a taxpayer's refund and/or failing to supply a list of clients or provide copies of clients' tax returns to the Internal Revenue Service on request;
- d. Engaging in any conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

AUTHORIZATION

2. This action has been authorized 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 of the United States, in accordance with 26 U.S.C. §§ 7401, 7407 and 7408.

JURISDICTION AND VENUE

3. Leger resides in Stone Mountain, Georgia. Leger currently prepares tax returns for customers of several Liberty Tax Service franchises under the 1804 Tax Group, Inc., umbrella.

4. The 1804 Tax Group, Inc., is a Georgia corporation that Leger incorporated in November 2012. 1804 Tax is the successor corporation of J & Company, Leger's previous tax preparation business.

5. This Court has jurisdiction over this action pursuant to 28 U.S.C.

§§ 1340 and 1345, and 26 U.S.C. § 7402(a).

6. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) and 26 U.S.C. §§ 7407 and 7408, because Leger resides within, both Defendants conduct business within, and a substantial part of the events or omissions which give rise to the United States' claims occurred within the Northern District of Georgia.

DEFENDANT LEGER'S FRAUDULENT TAX PREPARATION SCHEME

7. Leger began preparing tax returns around 1996. Leger has college degrees in computers and business.

8. Leger does not hold any professional licenses, is not a member of any professional organizations, and only took a couple of accounting classes at DeVry University. Leger started her own tax preparation business after working for a friend who owned a tax preparation business.

9. From 2002 until sometime in 2012, Leger owned and operated J & Company and also served as an officer. Through J & Company, Leger prepared and filed customers' federal and state tax returns. Specifically, Leger prepared individual federal income tax returns (Form 1040) for her customers.

10. Leger sought to shield her involvement in J & Company from the IRS.

For J & Company, during processing years 2008 through 2012, Leger electronically filed returns using two Electronic Filing Identification Numbers (“EFIN”) registered in the name of Edmond Fetiére, her brother-in-law. Edmond Fetiére is the husband of Kattia Fetiére, Secretary of 1804 Tax, and father of Rosemonde Fetiére, CFO of 1804 Tax. Mr. Fetiére applied for the EFINs without identifying J & Company or Leger, even though he himself does not prepare customer tax returns. Mr. Fetiére also allowed Leger to use his social security number on most returns she prepared prior to 2011.

11. On or around November 28, 2012, Leger incorporated 1804 Tax Group Incorporated, a Georgia Corporation, and serves as its CEO. 1804 Tax is the successor of J & Company, and operates at least three Liberty Tax franchises. At least one of 1804 Tax’s locations is at the same address and uses the same phone number as J & Company. 1804 Tax prepared returns during the 2013 processing year and continues to operate.

12. After Leger closed J & Company in fall 2012, she convinced Rosemonde Fetiére (the daughter of Edmond Fetiére) to apply for three different EFINs, *i.e.*, one for each 1804 Tax office. On all three applications, Ms. Fetiére represented that she was the “primary contact, principal and responsible official”

for her “sole proprietorship.” In making these representations, Ms. Fetiére failed to disclose the existence of 1804 Tax, that Leger owned the company, and that it was the successor of J & Company.

13. During the 2008 through 2013 processing years, Leger prepared customers’ income tax returns after they provided information pertaining to their income and deductions (W-2s, 1099s and 1098s). Leger then adjusted the credits and deductions in order to maximize the individual’s refund using the schemes described below.

14. Since at least 2008, Leger has prepared income tax returns that understate the taxpayer’s liability and/or overstate the taxpayers’ overall refund by creating or inflating deductions, wages, income, expenses or credits in order to maximize the earned income tax credit (“EITC”), and through other means.

Specifically, Leger prepared returns using the following schemes:

- (a) Leger prepared returns that claimed the EITC based upon fictitious income and expenses generated by businesses reported on a taxpayer’s Schedule C - Profit or Loss from Business. In some cases, the businesses did not exist or the taxpayers did not own or operate the business, and received only W-2 wages or

no income at all. In other cases, the Schedule Cs reported fabricated types of business expenses or grossly exaggerated business expenses of legitimate businesses.

- (b) Leger manufactured refunds by claiming other improper deductions, such as unreimbursed business expenses for individuals who only received W-2 wages.
- (c) Leger prepared returns that falsely claimed education credits, even though the IRS did not receive a corresponding Form 1098-T (Tuition Statement).

15. In interviews with IRS investigators, Leger's customers repeatedly stated that she failed to show them their returns, and that they never incurred the business expenses and/or operated the businesses reported or that the claimed business expenses were inflated. According to those taxpayers, they were unaware of the fabricated or exaggerated deductions and/ or credits, did not ask Leger to claim the deductions and / or credits, and could not otherwise explain Leger's calculations.

16. Prior to the 2011 filing season, Leger filed returns without signing as

the tax preparer. Only a small number of returns actually included Leger's preparer tax identification number ("PTIN") or social security number identifying her as the tax preparer. Instead, prior to 2011, the vast majority of the returns listed only J & Company, its tax identification number or Mr. Fetiere's social security number.

17. In preparing these returns, Leger also failed to exercise "due diligence" that required her to determine (a) the eligibility of taxpayers to claim the EITC on returns she prepared, and (b) whether the amount of the earned income credit claimed on those returns was correct.^{1/} Furthermore, Leger did not verify the deductions and losses claimed in these returns.

18. Leger, through 1804 Tax Group, prepared tax returns in 2013 for the 2012 tax year and will continue to prepare and file customers' returns in the future.

19. IRS records show that, from the 2009 processing year to the present, J & Company and 1804 Tax Group prepared almost 6000 returns as represented in the following chart:

^{1/} 26 C.F.R. § 1.6695-2 contains regulations regarding due diligence requirements for determining a person's eligibility for the earned income credit and the amount of that credit. 26 U.S.C. § 6695(g) imposes a \$500 penalty per failure on a tax return preparer who fails to comply with the due diligence requirements with respect to determining eligibility for, or the amount of, the allowable earned income credit.

Processing Year	Number of Returns	Number claiming refunds	Percentage Claiming Refunds	Number claiming EITC	Percentage Claiming EITC
2009	1463 (J & Co.)	1387	94%	795	54%
2010	559 (J & Co.)	547	97%	357	63%
2011	1622 (J & Co.)	1517	93%	973	59%
2012	1515 (J & Co.)	1400	92%	976	64%
2013	834 (1804 Tax)	745	89%	475	56%
Total	5993	5596	93.4%	3576	59.7%

Of these returns, Leger identified herself as the preparer on 50 returns for the 2010 processing year, 1265 returns for the 2011 processing year, 1244 returns for the 2012 processing year and 649 returns for the 2013 processing year.

20. As the owner of J & Company and 1804 Tax, Leger prepared these returns either directly or by supervising their preparation. Leger then electronically filed the returns using the EFINs obtained by Mr. Fetiery and Rosemonde Fetiery.

21. Examples of Leger's schemes include:

a. Schedule C losses for fictitious businesses - 2010 and 2011 tax returns Leger prepared for W-2 employee

1. Leger prepared 2010 and 2011 tax returns for A.K., a

taxpayer residing in Stone Mountain, Georgia, that claimed a niece and nephew as dependents.

2. For tax years 2010 and 2011, Leger did not sign the returns, listed “Edmond” of J & Company as the tax return preparer, listed J & Company’s telephone number and EIN, and failed to disclose her role in preparing the returns.

3. For tax years 2010 and 2011, A.K. received a W-2 for his wages (\$28,896.00 for 2010 and \$24,389 for 2011) and did not operate a business or otherwise earn self-employment income. Even after receiving this information, Leger prepared 2010 and 2011 tax returns claiming Schedule C business losses stemming from an auto mechanic business that allowed the taxpayer to claim the EITC. For tax year 2010, A.K. claimed business losses of \$8,954.00, an EITC of \$4,304, and a total refund of \$7,195.00. For tax year 2011, A.K. claimed business losses of \$8,540, an EITC of \$5,112 and a total refund of \$7,578.00.

4. When asked about the 2010 and 2011 returns, A.K. admitted that he did not operate a business, did not earn self employment income or incur business losses, and he could not otherwise justify Leger’s calculations. A.K. also indicated that Leger did not provide him copies of these returns before

she filed them. Because A.K. was not entitled to the claimed losses, he will now possibly be subject to additional assessments for federal income tax liabilities, penalties and interest.

b. Fabricated business losses - 2010 and 2011 tax returns for a W-2 employee

1. Leger prepared 2010 and 2011 tax returns for R.J., a single mother residing in Conyers, Georgia, that claimed two sons as dependents.

2. For tax years 2010 and 2011, Leger did not sign the return, listed “Edmond” of J & Company as the tax return preparer, listed J & Company’s telephone number and EIN, and failed to disclose her role in preparing the returns.

3. To assist Leger in preparing her returns, R.J. provided Leger with copies of her W-2s for 2010 and 2011 and told her that she operated a small hair styling business on the side. Leger then prepared 2010 and 2011 tax returns claiming wages of \$36,795 (2010) and \$37,250 (2011), and Schedule C business losses of \$14,205 (2010) and \$16,830 (2011). As a result of these losses and the corresponding reduction in gross income, the 2010 return claimed an EITC

of \$3,746 and a total refund of \$7,275.00. Furthermore, the 2011 return claimed an EITC of \$4,325 and a total refund of \$6,494.00.

4. When asked about her 2010 and 2011 returns, R.J. admitted she did not suffer the business losses claimed and could not otherwise justify Leger's calculations. R.J. also indicated that Leger did not provide her copies of the returns before she filed them. Because R.J. was not entitled to the claimed losses, she will now possibly be subject to additional assessments for federal income tax liabilities, penalties and interest.

c. Fictitious wages - 2010 and 2011 tax returns Leger prepared for non-wage earner

1. Leger prepared 2010 and 2011 tax returns for E.M., a tax payer residing in Lawrenceville, Georgia, that claimed his brother and a daughter as dependents.

2. For tax years 2010 and 2011, Leger did not sign the returns, listed "Edmond" of J & Company as the tax return preparer, listed J & Company's telephone number and EIN, and failed to disclose her role in preparing the returns.

3. In tax years 2010 and 2011, E.M. did not earn any wages

and told Leger that he sold scrap metal for small monetary amounts to support his family. Despite this information, Leger prepared a 2010 tax return that reported wages of \$15,900 that allowed E.M. to claim a making work pay credit, an EITC (\$5,036) and a child tax credit for a total refund of \$7,371.00. For tax year 2011, Leger prepared a return that reported wages of \$16,400 that allowed E.M. to claim an EITC (\$5,112) and a child tax credit for a total refund of \$7,112.00.

4. When asked about his 2010 and 2011 tax returns, E.M. admitted he did not earn wages during 2010 and 2011 and could not otherwise justify Leger's calculations. E.M. also indicated that Leger did not provide him copies of these returns before she filed them. Because E.M. was not entitled to the claimed losses, he will now possibly be subject to additional assessments for federal income tax liabilities, penalties and interest.

d. Fictitious business and inflated business expenses - 2010 and 2011 returns Leger prepared for a W-2 wage earner

1. Leger prepared 2010 and 2011 tax returns for M.P. a single male residing in Cumming, Georgia, that claimed no dependents.

2. For tax years 2010 and 2011, Leger did not sign the

returns, listed “Edmond” of J & Company as the tax return preparer, listed J & Company’s telephone number and EIN, and failed to disclose her role in preparing the returns.

3. For tax year 2010, Leger prepared a return that reported wages of \$65,074, claimed a business loss of \$18,490.00, and sought a refund of \$486.00. For tax year 2011, Leger prepared a return that reported wages of \$59,426, claimed an unreimbursed business expense of \$17,580 and sought a refund of \$1,466.

4. When interviewed concerning his 2010 tax return, M.P. admitted he did not operate a business in 2010, did not earn self employment income for that year, and could not otherwise justify Leger’s prepared return reporting business losses for that year. When questioned regarding his 2011 tax return, M.P. admitted he did not have any unreimbursed expenses for more than a minimal amount and could not otherwise justify the expenses claimed on his return. M.P. also stated that Leger failed to provide him with copies of the 2010 and 2011 returns before she filed them. Because M.P. was not entitled to the claimed losses, he will now possibly be subject to additional assessments for federal income tax liabilities, penalties and interest.

e. Fabricated business income and expenses - 2010 through 2012 returns Leger prepared for business owner

1. Leger prepared 2010 through 2012 tax returns for A.H., a single mother residing in Augusta, Georgia, that claimed one son as a dependent.

2. For tax years 2010 and 2011, Leger did not sign the return, listed “Edmond” of J & Company as the tax return preparer, listed J & Company’s telephone number and EIN, and failed to disclose her role in preparing the returns. For tax year 2012, Leger included the EIN and name of Liberty Tax but did not disclose her role as the tax preparer.

3. For tax years 2010 and 2011, A.H. informed Leger that she operated a business that had a net profit of between \$29,000 and \$30,000. Despite receiving this information, Leger prepared a 2010 return that reported business income of \$38,847, business expenses of \$25,894 and a profit of \$12,953. After deducting the business expenses and the corresponding reduction in income for 2010, A.H. received an EITC of \$3,050, had a smaller self employment tax liability, claimed an American Opportunity Tax Credit (educational tax credit) of \$1,800 and then received a total refund of \$3,420 after accounting for A.H.’s failure to make any estimated tax payments. For 2011, Leger prepared a return that

reported business income of \$38,847, business expenses of \$25,894, a profit of \$12,953 and an EITC of \$3,050. For 2012, Leger prepared a return that reported business income of \$31,620, business expenses of \$17,492, a profit of \$14,128 and an EITC of \$3,169.

4. When interviewed regarding the three returns, A.H. admitted that the returns erroneously reflected her net profit, and that she did not incur the amount of the claimed offsetting business expenses reflected on her returns. Furthermore, for 2010 through 2012, A.H. stated that Leger failed to provide her with copies of the returns before Leger filed them. Finally, for tax year 2010, the IRS did not receive a Form 1098-T (Tuition Statement) confirming that A.H. was entitled to the claimed educational tax credit. Because A.H. was not entitled to the claimed losses, she will now possibly be subject to additional assessments for federal income tax liabilities, penalties and interest.

HARM TO THE UNITED STATES

22. Leger harmed the United States by creating substantial revenue losses through understating the liabilities or overstating the credits on the returns she prepared through the schemes described above.

23. In many instances, Leger's understatement of her clients' liabilities

allowed them to receive refunds that they were not otherwise entitled to.

Furthermore, these fictitious schemes allowed clients to claim the EITC, in full or in part, when they were not entitled to the reported amount on their return.

24. In order to uncover and attempt to rectify the harm, Leger's actions have forced the United States to expend significant resources to review, refer and examine the returns she prepared so that they can be corrected.

25. In investigating Leger's tax preparation business, the IRS revenue agent sampled hundreds of returns that she prepared for tax years 2009 through 2012. As explained in paragraphs 27 through 30 below, the United States estimates that from Leger's fraudulent schemes the government has incurred harm that may exceed \$2 million, without including the applicable penalty and interest assessments from any examinations that have yet-to-occur.

26. From the returns for 2009 through 2012 tax years, the IRS revenue agent identified 220 federal income tax returns that claimed profits or losses from fictitious Schedule C businesses (sole proprietorships) in order to maximize the EITC. Looking only at the amount of EITC claimed on a particular return, the government's harm exceeds \$928,000 (or more than \$4,200 a return), excluding

potential tax, penalty and interest assessments resulting from any examinations that have yet-to-occur.

27. From the hundreds of returns sampled for tax years 2009 through 2011, the IRS revenue agent identified another 169 federal income tax returns that claimed false wages in order to maximize the EITC. The revenue agent reached this conclusion after reviewing the IRS records and finding no W-2s reporting wages that matched the wages reported on the taxpayer's return. Looking only at the amount of EITC claimed on a particular return, the government's harm exceeds \$870,000 (or almost \$5,150 per return), excluding potential tax, penalties and interest assessments resulting from any examinations that have yet-to-occur.

28. From the hundreds of returns sampled and based upon the IRS's taxpayer interviews regarding their deduction of employee business expenses for tax years 2009 through 2011, the IRS revenue agent identified 95 federal income tax returns Leger prepared that claimed \$1,353,052 in false employee business expense deductions under 26 U.S.C. § 212. By assuming that each taxpayer had a fifteen percent tax rate and multiplying the total deductions by this percentage, the United States estimates that the government suffered a potential harm of over

\$202,000 (or more than \$2,135 per return), excluding additional tax, penalty and interest assessments resulting from any examinations that have yet-to-occur.

29. The American Opportunity Tax Credit is a partially refundable tax credit for tax years 2009 through 2010 (extended for 2011 and 2012) that provides a credit for the first four years of post-secondary education. The total allowed credit cannot exceed \$2,500 and is subject to certain income limitations and phase-outs. For tax years 2009 through 2012, the IRS revenue agent identified 39 federal income tax returns that claimed an education credit where the IRS did not receive a Form 1098-T (Tuition Statement). Assuming that these taxpayers were not entitled to the credit and because not everyone claimed the maximum credit, the potential tax loss for the false credits claimed totals more than \$90,000 (or more than \$2,300 per return), excluding additional tax, penalty and interest assessments resulting from any examinations that have yet-to-occur.

30. Given the rates of fraud uncovered each time that the IRS reviews a sample of returns prepared by Leger and the total number of prepared returns, the United States estimates the government's tax loss is likely to exceed \$2 million.

31. As a result of Leger's fraudulent practices, her clients could owe

interest and penalties that they would not have otherwise owed if she correctly prepared their returns. Furthermore, if Leger's clients cannot immediately pay the additional assessments, they will continue to accrue interest, and face the continuing prospect of IRS collection activity (*e.g.*, wage levies, property seizures, etc . . .) for their unpaid tax liabilities. Leger's clients may also be prohibited from claiming the EITC in subsequent years as provided for under 26 U.S.C. § 32(k) and will also never be compensated for the time and money they expended during the audits of their tax returns.

32. The IRS does not have the resources to examine all of the tax returns that Leger prepared during the previous 5 years. Thus, the IRS will never be able to fully recover all the taxes, interest and penalties that are owed but were not properly reported or paid due to Leger's fraudulent preparation of tax returns. In addition, the United States cannot recover the cost of the resources expended to examine and adjust returns prepared by Leger and to collect the deficiencies.

33. Leger knows or should know that her conduct is illegal. Defendant Leger has been actively preparing tax returns since 1996. She has taken some accounting courses and presumably keeps current on tax law.

COUNT I: PERMANENT INJUNCTION UNDER 26 U.S.C. § 7407

34. The United States incorporates by reference the allegations contained in paragraphs 1 through 33.

35. Upon a finding that a tax return preparer engaged in prohibited conduct, 26 U.S.C. § 7407 authorizes a district court to enjoin a tax return preparer from further acting as a tax return preparer. The prohibited conduct justifying an injunction includes, among other things, the following:

a. violating 26 U.S.C. § 6694(a) by preparing a return that contains an understatement of tax liability or overstatement of a credit or refund that is due to an unreasonable position which the return preparer knew or should have known was unreasonable;

b. violating 26 U.S.C. § 6694(b) by preparing a return that contains an understatement of tax liability or overstatement of a credit or refund which is due to a willful attempt to understate the liability for tax or a reckless or intentional disregard of rules or regulations;

c. violating 26 U.S.C. § 6695(b) and (c) by failing to sign the prepared tax returns or failing to include on the returns a tax preparer identification number;

- d. violating 26 U.S.C. § 6695(g) by failing to exercise due diligence in determining eligibility for the EITC; and
- e. engaging in any fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.

36. Pursuant to section 7407(b), in order for a court to issue such an injunction, the court must find (1) that the tax return preparer engaged in the prohibited conduct, and (2) that injunctive relief is appropriate to prevent the recurrence of such conduct.

37. If the court finds that the tax return preparer's conduct is continual or repeated, and that a narrower injunction (*i.e.*, against only the conduct) would not be sufficient to prevent the person's interference with the proper administration of the federal tax laws, the court may permanently enjoin the Defendants from acting as a tax return preparer. *See* 26 U.S.C. § 7407(b).

38. As described above in paragraphs 9 through 33, Leger, on behalf of and through J & Company and now 1804 Tax, has continually and repeatedly engaged in conduct subject to penalty under sections 6694 and 6695 and which substantially interferes with the administration of the internal revenue laws.

a. Leger has repeatedly and continually prepared or submitted returns that contained understatements of tax liability and overstatements of credits and refunds and that were due to positions that she knew or reasonably should have known were unreasonable and subject to penalty under 26 U.S.C. § 6694(a).

b. Leger has repeatedly and continually prepared returns that contained understatements of tax liability or overstatements of credits and refunds which were due to a willful attempt to understate the liability for tax or a reckless or intentional disregard of rules or regulations and subject to penalty under 26 U.S.C. § 6694(b).

c. Leger has repeatedly and continually prepared returns where she failed to sign the tax returns or include on the returns a tax preparer identification number which is subject to penalty under 26 U.S.C. §§ 6695(b) and (c).

d. Leger has repeatedly and continually failed to exercise due diligence in determining her customers' eligibility for the EITC and prepared returns incorrectly claiming the EITC which is subject to penalty under 26 U.S.C. § 6695(g).

e. Leger has, over the course of several years, prepared tax returns

that fraudulently claimed wages, income, credits, and inflated Schedule A and C deductions, including some that claim the EITC for clients who are not eligible for that credit. Leger has prepared these tax returns knowing that she inflated the deductions without the client consent, and without diligently determining whether the client is eligible for these deductions, the EITC or a combination thereof. Regardless, Leger has shown a reckless and intentional disregard for the laws and regulations governing the EITC, and her conduct has substantially interfered with the proper administration of the internal revenue laws.

39. Because Leger, through J & Company and now 1804 Tax, has engaged in conduct prohibited by 26 U.S.C. § 7407(b)(1), Defendants are subject to an injunction prohibiting them from preparing returns.

40. A narrow injunction only against Leger's conduct—as opposed to enjoining her and her company from acting as tax return preparers—would be insufficient to prevent her continued interference with the proper administration of the federal tax laws. Leger, through J & Company and now 1804 Tax, has employed a number of schemes over an extended period of time that resulted in harm estimated to exceed two million dollars. It is unlikely that a narrow injunction could encompass all of those schemes. Indeed, it is likely that the IRS

has not yet identified all of the Defendants' schemes used to understate their customers' income. Moreover, failure to permanently enjoin Leger and 1804 Tax will require the IRS to spend additional resources to ferret out additional schemes they devise in the future.

41. Leger has continued this fraudulent conduct despite knowing that the IRS examines and reviews tax returns that she and her company prepares. Leger will continue this brazen fraudulent conduct unless permanently enjoined from preparing tax returns.

42. Therefore, because Leger, through J & Company and now 1804 Tax, has repeatedly and continually engaged in activities subject to injunction under 26 U.S.C. § 7407(b)(1) and because a narrower injunction would not be sufficient to prevent their interference with the proper administration of the federal tax laws, Leger and 1804 Tax should be permanently enjoined from preparing, or assisting with the preparation of, federal tax returns.

COUNT II: PERMANENT INJUNCTION UNDER 26 U.S.C. § 7408

43. The United States incorporates by reference the allegations contained in paragraphs 1 through 42.

44. 26 U.S.C. § 7408 authorizes a district court to enjoin a tax return preparer from engaging in conduct subject to penalty under 26 U.S.C. § 6701 if it finds that the person has engaged in and that injunctive relief is appropriate to prevent reoccurrence of this conduct.

45. Conduct is subject to a penalty under section 6701 if a person aids or assists in the preparation of any portion of a return when the person knows or has reason to believe that such portion will be used in connection with a material matter arising under federal tax law, and the person knows that such portion will result in an understatement of the tax liability of another person.

46. Leger, on behalf of and through J & Company and now 1804 Tax, has engaged in conduct subject to penalty under section 6701 by preparing income tax returns that claim wages, income, credits and/or Schedule A and C deductions that she knows, or reasonably should have known, that her clients are not eligible for in order to artificially inflate their refunds. Leger has aided or assisted her clients in the preparation of portions of returns that she knew would be used in connection with the reporting of her clients' tax liability, a material matter arising under federal tax law, and that she knew would result in a material understatement of her clients' federal income tax liability.

47. Leger's actions described above fall within 26 U.S.C. § 7408(c)(1), and injunctive relief is appropriate to prevent recurrence of this conduct.

48. Accordingly, Leger and 1804 Tax should be permanently enjoined from preparing any returns that claim income, wages, credits and/or Schedule A and C deductions without verifying the income, wages, or deductions that form the basis for the credit or deduction without keeping documentation of that eligibility, which the IRS or this Court can use to verify Leger's and 1804 Tax's compliance with the injunction.

COUNT III: PERMANENT INJUNCTION UNDER 26 U.S.C. § 7402

49. The United States incorporates by reference the allegations contained in paragraphs 1 through 48 as if fully stated herein.

50. 26 U.S.C. § 7402(a) authorizes a district court to render judgments and decrees as may be necessary or appropriate for the enforcement of the internal revenue laws.

51. As described above in paragraphs 9 through 33, Leger, through J & Company and now 1804 Tax, has repeatedly and continually engaged in conduct that interferes substantially with the administration and enforcement of the internal revenue laws and causes irreparable injury to both the United States and her

clients. Leger has engaged in this fraudulent conduct over the course of several years, and she has continued to do so despite being investigated by the IRS and having the IRS review her customers' returns. Unless the Defendants are permanently enjoined by this Court from preparing tax returns, their fraudulent conduct is likely to continue.

52. The harm to the United States without the permanent injunction outweighs any harm to the Defendants if the permanent injunction is granted. If the Defendants are not permanently enjoined from preparing tax returns, the United States will suffer irreparable harm by their creating a large and potentially undiscoverable and unrecoverable tax loss to the United States Treasury. Moreover, unless the Defendants are enjoined from preparing returns, the IRS will have to devote substantial unrecoverable time and resources to auditing their clients individually to detect future schemes, and trying to compel their compliance with the internal revenue laws.

53. Although a permanent injunction would prevent the Defendants from preparing any tax returns, such an occurrence would only be a direct result of their own fraudulent actions in preparing a large volume of erroneous returns which generate substantial tax losses over an extended period of time. Moreover, because

Leger's business and income is premised largely on the preparation of fraudulent income tax returns, this is not an interest that the Court should even weigh in deciding whether to issue a permanent injunction. Finally, the irreparable harm to the United States without the injunction far outweighs any harm the injunction might cause the Defendants. Leger and any other 1804 Tax employee will be able to pursue other financial endeavors to support themselves, but the United States cannot recover the additional moneys lost if the Defendants are allowed to continue preparing tax returns.

54. The public interest strongly favors permanently enjoining Defendants from preparing tax returns so as to put a stop to their abusive schemes, which have thus far generated potentially millions in tax loss. The public is best served by having only ethical and honest tax return preparers in business. Permanently enjoining the Defendants would also ensure that members of the public are not unknowingly subject to their fraudulent return preparation practices, which makes it more likely that the innocent taxpayers will be audited by the IRS, owe additional taxes, interest and penalties, and face collection actions until those amounts are paid in full.

55. The public interest is also served by having each person voluntarily pay the full amount of taxes that they owe and by having the government collect the full amount of taxes to which it is entitled. This prevents those people whose tax returns are correctly prepared from shouldering a greater portion of the tax burden at the expense of people whose tax returns were fraudulently prepared.

56. The United States is entitled to injunctive relief under 26 U.S.C. § 7402(a), and the Court should permanently enjoin Defendants from engaging in conduct subject to penalty under 26 U.S.C. §§ 6694, 6695, and 6701 and that otherwise substantially interferes with the enforcement and administration of the internal revenue laws.

WHEREFORE, the United States of America requests that the Court:

A. Find that Leger, by and through J & Company and now The 1804 Tax Group, Inc. d/b/a Liberty Tax Service, has continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. §§ 6694, 6695 and 6701, or otherwise engaged in conduct that interfered with the enforcement of the internal revenue laws, and that injunctive relief against them is appropriate pursuant to 26 U.S.C. §§ 7402(a), 7407 and/or 7408 to prevent recurrence of that conduct;

B. Enter a permanent injunction prohibiting Leger and 1804 Tax from directly or indirectly:

1. Preparing, filing or assisting in the preparation or filing of any federal income tax returns, amended returns, and other tax related documents for any other person or entity;
2. Preparing, filing or assisting in the preparation or filing of federal tax returns that they know will result in the understatement of any tax liability or the overstatement of federal tax refunds;
3. Providing any tax advice or services for compensation, including preparing, filing or assisting in the preparation or filing of federal tax returns, providing consulting services, or representing customers;
4. Engaging in conduct subject to penalty under 26 U.S.C. §§ 6694, 6695 or 6701, including understating a taxpayer's liability and failing to supply a list of clients or provide copies of clients' tax returns to the IRS on request; and

5. Engaging in any fraudulent or deceptive conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws;

C. That the injunction further:

1. Require Leger and 1804 Tax, at their own expense, to send by certified mail, return receipt requested, a copy of the final injunction entered against them in this action to each person for whom Leger, or anyone at her direction or in her employ, prepared federal income tax returns or any other federal tax forms after January 1, 2009, and further requiring that they include a copy of the eligibility requirements for claiming Schedule A and C deductions, the EITC and the American Recovery and Reinvestment Act of 2009 and direct their clients to independently review whether they are eligible for the earned income tax credit and educational credit and, if not, file amended tax returns disclaiming the EITC or education credit that was claimed on returns Leger, or anyone who prepared tax returns at her direction, prepared;

2. Require Leger, and anyone who prepared tax returns at her direction, to turn over to the United States copies of all returns or claims for refund that they prepared for customers after January 1, 2009;
3. Require Leger, and anyone who prepared tax returns at her direction, to turn over to the United States a list with the name, address, telephone number, e-mail address (if known), and social security number or other taxpayer identification number of each customer for whom they prepared returns or claims for refund after January 1, 2009, including a list detailing the returns Leger prepared and a list of any other preparers who prepared returns on behalf of J & Company and/or 1804 Tax and the specific returns they prepared;
4. Require Leger and 1804 Tax, within forty-five (45) days of entry of the final injunction in this action, to file a sworn statement with the Court evidencing their compliance with the foregoing directives; and

5. Require Leger and 1804 Tax to keep records of their compliance with the foregoing directives, which may be produced to the Court, if requested, or to the United States pursuant to paragraph D, below;

D. Enter an order allowing the United States to monitor Leger's and 1804 Tax's compliance with the permanent injunction and to conduct post-judgment discovery in accordance with the Federal Rules of Civil Procedure; and

E. Grant the United States such other relief as the Court deems appropriate.

CERTIFICATION OF COMPLIANCE WITH RULE 5.1B

In accordance with Local Rule 7.1D, Northern District of Georgia, I hereby certify that the foregoing has been prepared with one of the font and point selections approved by the Court in Local Rule 5.1C, Northern District of Georgia.

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