

IN THE UNITED STATES DISTRICT COURT FOR THE  
MIDDLE DISTRICT OF ALABAMA  
NORTHERN DIVISION

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DEBRA P. HACKETT, CLK  
U.S. DISTRICT COURT  
MIDDLE DISTRICT ALA

UNITED STATES OF AMERICA, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
TONJA RENEE TONEY and )  
JENIKA WILLIAMS, )  
 )  
Defendants. )

Case No. 2:14-cv-274

**COMPLAINT FOR PERMANENT INJUNCTION**

Plaintiff, United States of America, states as follows:

1. The United States brings this action to enjoin Tonja Renee Toney and Jenika Williams

from directly or indirectly:

- a. Preparing or filing, or assisting in the preparation or filing of, any federal tax return, amended return, or other related document or form for any entity or person other than themselves;
- b. Understating taxpayers' liabilities or overstating their refunds as prohibited by 26 U.S.C. § 6694;
- c. Engaging in conduct subject to penalty under 26 U.S.C. § 6701, *i.e.*, preparing or assisting others in the preparation of any tax form or other document which defendants know or have reason to believe will be used in connection with any material matter arising under the internal revenue laws and which defendants know will (if so used) result in the understatement of tax liability; or
- d. Engaging in other similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

**Jurisdiction and Venue**

2. This action has been requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of Treasury, and commenced at the direction of a delegate of the Attorney General under 26 U.S.C. §§ 7402, 7407, and 7408.

3. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. § 7402(a).
4. Venue is proper under 28 U.S.C. §1391(b)(1) because both defendants reside in this district. Toney currently resides in this district. Williams is currently incarcerated in Florida, but because she resided in Montgomery, Alabama, prior to her incarceration, that is her residence for venue purposes. Venue is also proper in this Court under 28 U.S.C. § 1391(b)(2) because a substantial part of the events giving rise to this suit took place in this district.

#### **Defendants**

5. At the time of the events alleged herein, Tonja Renee Toney and Jenika Williams resided and conducted business in Montgomery, Alabama.
6. Toney and Williams are tax return preparers as defined by 26 U.S.C. § 7701(a)(36) because they prepare other people's federal tax returns for compensation.
7. Toney and Williams each prepared tax returns as an employee of "Premier Tax" in Montgomery, Alabama, in 2007 and 2008. Premier Tax was owned by Bruce King, who was sentenced to 70 months of incarceration on March 18, 2013, after pleading guilty to one count of conspiracy to defraud the United States and one count of fraud and false statements. *United States v. Bruce King et al.*, 2:12-cr-57-MHT-WC (M.D. Ala., Montgomery Division).
8. Since at least late 2007, each defendant has knowingly prepared federal income tax returns for customers that understated the customers' tax liability by reporting false income in order to inflate the taxpayer's claim to an Earned Income Tax Credit ("EITC").

*Jenika Williams*

9. From 2004 through 2012, Williams worked as a tax return preparer and prepared Form 1040 tax returns for clients in Montgomery, Alabama.
10. Williams was employed as a tax return preparer at Premier Tax from late 2007 until early 2008.
11. While working at Premier Tax in 2008, Williams prepared approximately 93 Form 1040 individual income tax returns for the 2007 tax year which falsely claimed or inflated the taxpayer's income tax refund.
12. In addition to inflating income to maximize the amount of the taxpayer's EITC on returns she prepared for the 2007 tax year, Williams provided social security numbers and other identifying information of third parties which she used to prepare returns that falsely claimed dependents and thereby increase the total amount of EITC claimed.
13. Special agents from the IRS Criminal Investigations Division interviewed Williams on June 23, 2008.
14. In 2011 and 2012, Williams conducted her business under the trade name "Superior Tax Professional," and prepared returns for the 2010 and 2011 tax years.
15. On March 28, 2012, Williams was indicted, along with Bruce King and several other individuals, on various charges related to preparation of false tax returns at Premier Tax. *United States v. Bruce King et al.*, 2:12-cr-57-MHT-WC (M.D. Ala., Montgomery Division).
16. On June 25, 2012, Williams pled guilty to violating 18 U.S.C. § 371 (conspiracy to defraud the United States), 18 U.S.C. § 1343 (wire fraud), and 18 U.S.C. § 1028A (aggravated identity theft). Williams was sentenced to 29 months in prison.

*Tonja Renee Toney*

17. From 2007 through 2011, Toney worked as a tax return preparer and prepared Form 1040 income tax returns for clients in Montgomery, Alabama.
18. Toney was employed as a tax return preparer at Premier Tax from late 2007 until February, 2008.
19. While employed at Premier Tax, Toney identified herself on the Form 1040 individual income tax returns she prepared by her social security number, instead of using a Preparer Tax Identification Number ("PTIN") that had been assigned to her in 2005.
20. While working at Premier Tax in 2008, Toney prepared approximately 51 Form 1040 individual income tax returns for the 2007 tax year, many of which falsely claimed or inflated the taxpayer's income tax refund.
21. The IRS examined 14 of the returns Toney prepared for the 2007 tax year. Each of these returns claimed a false or inflated refund.
22. Special agents from the IRS Criminal Investigations Division interviewed Toney on July 17, 2008.
23. In 2010, Toney prepared at least 4 Form 1040 individual income tax returns for the 2009 tax year as an employee of "KNJ Tax Professionals." The returns were signed by Toney as a return preparer, but listed another person's PTIN.
24. The IRS examined one of the returns Toney prepared for the 2009 tax year and determined that it falsely claimed a refund of \$3,043.
25. In 2011, Toney prepared at least 32 tax returns for the 2010 tax year as an employee of "Collins Tax Service" and using her own PTIN.

26. The IRS examined 9 of the returns Toney prepared for the 2010 tax year. Each of these returns claimed a false or inflated refund.
27. Each of the 24 returns known to have been prepared by Toney for the 2007 through 2010 tax years that the IRS examined, as described above, resulted in an adjustment.
28. Because of the misuse of identifying PTIN numbers on returns prepared by Toney, the exact number of returns she has prepared is unknown.
29. On July 5, 2011, a felony information against Toney was filed in this district in connection with her work at Premier Tax. *United States v. Tonja Renee Toney*, Criminal Case No. 2:11-cr-118-WHA (M.D. Ala., Northern Division).
30. On July 11, 2011, Toney pled guilty to violating 26 U.S.C. §7206(2), aiding or assisting in preparation of false documents under Internal Revenue laws. Toney was sentenced to five months incarceration and one year of supervised release.

**Harm caused by defendants' improper activities**

31. The Internal Revenue Service estimates that the tax loss resulting from defendants' improper return practice for tax years 2007 through 2012 may exceed \$1 million.
32. Defendants' conduct further harms the United States because the IRS had to devote its limited resources to investigate and criminally prosecute defendants and must continue to devote its limited resources to identifying their customers, ascertaining their correct liabilities, recovering any refunds erroneously issued, and collecting additional tax and penalties.
33. Defendants' conduct also harms their customers because the customers are liable for the erroneous refunds that were issued to them and may be liable for sizeable penalties and interest as a result.

34. Defendants' conduct also harms honest tax return preparers who refuse to engage in such unscrupulous conduct and who may unfairly lose business to defendants. In addition, their activities undermine public confidence in the administration of the federal tax system and encourage noncompliance with the internal revenue laws.
35. The IRS has listed "return preparer fraud" on its annual "dirty dozen" tax scams to avoid: <http://www.irs.gov/uac/Newsroom/IRS-Releases-the-Dirty-Dozen-Tax-Scams-for-2013>.

**Count I – Injunction under 26 U.S.C. § 7407**

36. The United States incorporates by reference the allegation contained in paragraphs 1 through 35.
37. Section 7407 authorizes a court to enjoin a paid tax return preparer if, *inter alia*, the court finds that the return preparer has engaged in conduct subject to penalty under § 6694 and that injunctive relief is appropriate to prevent the recurrence of the conduct.
38. Section 6694 imposes penalties on a tax return preparer who prepares a return that contains an understatement of tax liability or overstatement of a refund that is due to an unreasonable position which the return preparer knew or should have known was unreasonable, or engages in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.
39. The Court may permanently enjoin the person from further acting as a tax return preparer if it finds that a preparer has continually and repeatedly engaged in such conduct and that a narrower injunction, i.e. prohibiting only that specific enumerated conduct, would not be sufficient to prevent that person's interference with the proper administration of the internal revenue laws.

40. Each defendant has continually and repeatedly engaged in conduct subject to penalty under § 6694 by preparing returns that she knows contain fabrications such as false income, improper dependents, and other false items which result in substantial understatements of tax or overstatements of refunds.
41. Injunctive relief is appropriate to prevent this misconduct because, absent an injunction, defendants are likely to continue to prepare false federal income tax returns and engage in other misconduct of the type described in this complaint.
42. Without an injunction permanently banning them as federal tax return preparers, Defendants are likely to continue preparing false or fraudulent tax returns causing harm to their customers, the government, and the general public. Both defendants continued to prepare false and fraudulent returns after being interviewed by IRS agents in connection with their illegal activities at Premier Tax. Accordingly, each defendant should be permanently enjoined under § 7407 from acting as a tax return preparer.

**Count II – Injunction under 26 U.S.C. § 7408**

43. The United States incorporates by reference the allegations set forth in paragraphs 1 through 35.
44. Section 7408 authorizes courts to issue injunctions against conduct that is subject to penalty under § 6701 if injunctive relief is appropriate to prevent recurrence of such conduct.
45. Section 6701 imposes a penalty on any person who aids in or advises with respect to the preparation of any portion of a federal tax return or other document that the person knows or has reason to believe will be used in connection with a material matter under the

internal revenue laws, and that the person knows would, if so used, result in understatement of another person's tax liability.

46. Defendants have prepared and filed federal tax returns for others knowing that the returns would, if so used, result in the understatement of another person's federal tax liability. They have engaged in conduct that is subject to penalty under § 6701, and an injunction under § 7408 is appropriate.
47. Defendants knew the information contained on federal income tax returns they each prepared resulted in the understatement of tax liabilities and erroneous refunds issued to their respective customers. Moreover, their conduct spanned many customers and tax years.
48. Unless enjoined by the Court, defendants are likely to continue to prepare tax returns that they know will result in the understatement of tax liability.
49. Accordingly, defendants should be enjoined under § 7408 from engaging in conduct subject to penalty under § 6701.

**Count III - Injunction under 26 U.S.C. § 7402**

50. The United States incorporates by reference the allegations contained in paragraphs 1 through 35.
51. Section 7402(a) authorizes courts to issue injunctions as may be necessary or appropriate to enforce the internal revenue laws.
52. Defendants, through the actions described above, have engaged in conduct that substantially interferes with the administration and enforcement of the internal revenue laws, and are likely to continue to engage in such conduct unless enjoined by this Court.



53. Defendants' conduct will cause irreparable injury to the United States. Defendants' conduct has caused and will continue to cause substantial tax losses to the United States Treasury, much of which may be undiscovered and unrecoverable.
54. Unless defendants are enjoined from preparing returns, the IRS will have to devote substantial and unrecoverable time and resources auditing their clients individually to detect false, fraudulent, or overstated refund claims in future returns. In addition, defendants' customers will be harmed because the customers will pay fees for tax returns that substantially understate their correct tax liabilities, and as a result, many customers will face large income tax deficiencies and may be liable for sizeable penalties and interest.
55. The injunctive relief requested herein will impose little, if any, hardship on defendants because they conduct little, if any, legitimate tax preparation. Instead, the majority of the returns they prepare contain false or fraudulent statements.
56. The public interest will be served by the requested permanent injunction.

WHEREFORE, the United States requests the following relief:

A. The Court find that each defendant has continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694 and that injunctive relief is appropriate under 26 U.S.C. § 7407 to prevent recurrence of that conduct, and that injunctive relief limited to prohibiting such conduct would not be sufficient to prevent each defendant's interference with the proper administration of the Internal Revenue Code;

B. The Court find that each defendant has continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6701 and that injunctive relief is appropriate under 26 U.S.C. § 7408 to prevent recurrence of that conduct;

C. The Court find that each defendant has engaged in conduct that substantially interferes with the enforcement of the internal revenue laws, and that injunctive relief against her and anyone acting in concert with her is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and 26 U.S.C. § 7402(a);

D. The Court enter a permanent injunction enjoining Tonja Renee Toney and Jenika Williams from directly or indirectly:

- (1) Preparing or filing, or assisting in the preparation or filing of, any federal tax return, amended return, or other related document or form for any entity or person other than themselves;
- (2) Understating taxpayers' liabilities or overstating their refunds as prohibited by 26 U.S.C. § 6694;
- (3) Engaging in conduct subject to penalty under 26 U.S.C. § 6701, i.e., preparing or assisting others in the preparation of any tax form or other document which defendants know or have reason to believe will be used in connection with any material matter arising under the internal revenue laws and which defendants know will (if so used) result in the understatement of tax liability; or
- (4) Engaging in other similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

E. The Court authorize the Internal Revenue Service to revoke immediately any Preparer Tax Identification Numbers held by, or assigned to, defendants pursuant to 26 U.S.C. § 6109 and any Electronic Filing Identification Numbers held by, or assigned to, defendants pursuant to 26 C.F.R. § 1.6011-7;

F. The Court allow the United States full post-judgment discovery to monitor compliance with the injunction;


G. The Court retain jurisdiction over the defendants and over this action to enforce any injunction entered against them; and

H. The Court grant the United States such other and further relief as the Court deems appropriate.

Dated: April 11, 2014

Respectfully submitted,

KATHRYN KENEALLY  
Assistant Attorney General  
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U.S. Department of Justice

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