

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.  
v. : Crim. No.  
COURTNEY JOHNSON & : 18 U.S.C. § 371 & 26 U.S.C. § 7206(2)  
CAROL JOHNSON

INDICTMENT

The Grand Jury in and for the District of New Jersey, sitting at Newark, charges:

**COUNT 1**  
**(Conspiracy to Defraud the United States and the Internal Revenue Service)**

1. At all times relevant to this Indictment
  - a. Defendant Courtney Johnson, a resident of Union, New Jersey, was a certified public accountant (“CPA”) who, in addition to performing accounting services, was also in the business of preparing federal income tax returns for a fee, under the name of Johnson and Associates, PC, CPA Consultants (“Johnson & Associates”).
  - b. Defendant Carol Johnson, the wife of defendant Courtney Johnson, also prepared federal income tax returns for a fee under the name of Johnson & Associates.
  - c. In the course of preparing tax returns, defendants met with taxpayers at and operated their tax preparation business from two separate locations: defendant Courtney Johnson operated out of the office in South Orange, New Jersey; defendant Carol Johnson operated out of the office in Jersey City, New Jersey.

d. The Internal Revenue Services (“IRS”), an agency of the United States within the Department of the Treasury, was responsible for administering and enforcing the tax laws of the United States, specifically, as here relevant, federal income tax laws.

### **Relevant Practices & Procedures**

2. Taxpayers seeking expedited refunds could request a “RAL” or Refund Anticipation Loan, whereby a designated bank (“RAL Bank”), pursuant to arrangements with both the IRS and individual tax preparers, would lend the amount of the anticipated refund to qualified taxpayers on an expedited basis. Generally, receipt of a tax refund for the prior year was sufficient to qualify taxpayers for a RAL.

3. Tax preparers were required to explain the RAL process to taxpayers, particularly those aspects relating to the fees that would be paid by taxpayers to both the RAL Bank and the tax preparer directly from the anticipated refund.

4. After preliminary approval from the IRS, the RAL Bank would authorize the tax preparer to issue a cashier’s check in the name of the RAL Bank, payable to taxpayers, for the amount of the tax refund less the fees charged by the RAL Bank and the tax preparer.

5. It was defendants’ practice to routinely, but not always, arrange for taxpayers to use a RAL and for Santa Barbara Bank & Trust Company (“Santa Barbara Bank”) to be the RAL Bank.

6. Beginning as early as 2005 and continuing through in or around May 2008, defendants

**COURTNEY JOHNSON  
and  
CAROL JOHNSON**

knowingly and willfully entered into an agreement, combination and conspiracy with each other and others to defraud the United States and the Internal Revenue Service (“IRS”), an agency thereof.

**Object of the Conspiracy**

7. It was the object of the conspiracy for defendants to generate increased referrals, enhance their business and thereby enrich themselves by preparing and filing with the IRS income tax returns that, for the purpose of generating tax refunds, were based on false, fabricated, and fictitious information created by defendants.

**Means and Methods**

8. It was part of the conspiracy that defendants would routinely use a pattern of practices to unlawfully decrease their clients’ taxable income, including, among others, the following practices:

- a. false characterization of the taxpayer’s status, as “head of household” where taxpayers were not lawfully eligible for such status in order to obtain both a larger deduction and a lower tax rate and, as a result, an unlawfully larger refund;
- b. fabrication and inflation of deductions, such as charitable contributions, personal property taxes and unreimbursed employee business expenses, to obtain an unlawfully larger refund;

- c. creation of fictitious businesses with bogus incomes and losses to obtain an unlawfully larger refund; and
- d. creation of false credits for education, childcare, and moving expenses.

9. It was a further part of the conspiracy that, although taxpayers generally met with and provided information to prepare their tax returns to one of the defendants, it was routinely the other defendant whose name appeared as preparer of the return.

10. It was a further part of the conspiracy that, on several occasions, defendants would steal and attempt to steal all or part of the refunds defendants had created on their clients' tax returns by issuing Santa Barbara Bank cashier's checks payable to their client-taxpayers, forging the client-taxpayers' signatures and depositing the checks into a bank account controlled by both Carol Johnson and Courtney Johnson for most of the time that the thefts occurred.

11. It was a further part of the conspiracy that, on at least one occasion, defendants completed two federal income tax returns for the same year for the same client, with two different refund claims, providing a copy of the return with the smaller tax refund (i.e., several hundred dollars) to the taxpayer but filing with the IRS the return with the larger tax refund (i.e., several thousand dollars) with defendants stealing some or all of the proceeds received from the IRS.

12. It was a further part of the conspiracy that, using the means and methods described above, among others, defendants Courtney Johnson and Carol Johnson caused a tax loss of close to \$400,000 for the tax years 2005 through and including 2007.

#### Overt Acts

13. In furtherance of the conspiracy and to effect its unlawful object, in the District of New Jersey and elsewhere, defendants Courtney Johnson and Carol Johnson used, among others,

the fraudulent practices set forth in paragraphs 7 through 12, above, for the tax years 2005 through and including 2007, to prepare and file federal income tax returns for, among others, the taxpayers identified below, falsely claiming the filing status, deductions, credits, and adjustments, to cause and bring about the fraudulent tax refunds listed below:

<u>2005 Tax Year</u>		
<u>Taxpayer</u>	<u>Filed On or About</u>	<u>Approximate Refund Claimed</u>
IA	4/15/06	\$ 6,295.00
PB	4/15/06	\$ 7,736.00
GG	4/15/06	\$ 6,821.00
RH	4/15/06	\$ 5,969.00
YM	4/15/06	\$ 5,787.00
AN	4/15/06	\$ 4,529.00
BT	4/15/06	\$ 5,157.00

<u>2006 Tax Year</u>		
<u>Taxpayer</u>	<u>Filed On or About</u>	<u>Approximate Refund Claimed</u>
PB	4/15/07	\$ 3,454.00
LB	4/15/07	\$ 2,834.00
GG	4/15/07	\$ 6,861.00
EM	4/15/07	\$ 2,460.00
AN	4/15/07	\$ 2,668.00
RP	4/15/07	\$ 4,473.00

<u>2007 Tax Year</u>		
<u>Taxpayer</u>	<u>Filed On or About</u>	<u>Approximate Refund Claimed</u>
PB	4/15/08	\$ 7,611.00
LB	4/15/08	\$ 3,040.00
GG	4/15/08	\$ 6,889.00
EM	4/15/08	\$ 1,632.00
AN	4/15/08	\$ 1,263.00
RP	4/15/08	\$ 4,454.00

All in violation of Title 18, United States Code, Section 371.

**COUNTS 2 THROUGH 7**  
**(Aiding and Assisting in the Preparation of False Federal Income Tax Returns)**

1. Paragraphs 1 through 5 and 7 through 13 of Count 1 of this Indictment are incorporated by reference.
2. For Tax Year 2007, in the District of New Jersey, and elsewhere, defendants

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**AND**  
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did knowingly and willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service of federal income tax returns, Forms 1040, for the individuals described in the following chart, which returns were false and fraudulent as to material matters, as identified in paragraphs 7 through 12 of Count One of this Indictment, defendants knowing that the returns were false and fraudulent.

<u>Count</u>	<u>Taxpayer</u>	<u>Filed On or About</u>	<u>Approximate False Refund Claimed</u>
2	LB	4/15/08	\$3,040
3	PB	4/15/08	\$7,611
4	GG	4/15/08	\$6,889
5	EM	4/15/08	\$1,632
6	AN	4/15/08	\$1,263
7	RP	4/15/08	\$4,454

All in violation of Title 26, United States Code, Section 7206(2).

A TRUE BILL

\_\_\_\_\_  
FOREPERSON

  
\_\_\_\_\_  
PAUL J. FISHMAN  
United States Attorney

CASE NUMBER: \_\_\_\_\_

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**United States District Court  
District of New Jersey**

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**UNITED STATES OF AMERICA**

**v.**

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**INDICTMENT FOR**

**18 U.S.C. § 371 and 26 U.S.C. §7206(2)**

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**A True Bill,**

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**Foreperson**

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**PAUL J. FISHMAN  
UNITED STATES ATTORNEY  
NEWARK, NEW JERSEY**

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