

**IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

UNITED STATES OF AMERICA,

Plaintiff,

v.

**RICIA DANIELS,
d/b/a RICIA’S CONVENIENCE
TAX SERVICE, and RICIA’S
CONVENIENCE TAX SERVICE, INC.,**

Defendants.

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Civil No. _____

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

PLAINTIFF, the United States of America, alleges as follows:

1. This is a civil action. The United States seeks to enjoin Defendants, Ricia Daniels, Ricia Daniels doing business as Ricia’s Convenience Tax Service, and Ricia’s Convenience Tax Service, Inc. (collectively the “Defendants”), from directly or indirectly:
 - a. Preparing, assisting in the preparation of, or filing others’ federal tax returns, amended returns, and related documents;
 - b. Engaging in any activity subject to penalty under the internal revenue laws;
 - c. Engaging in conduct that substantially interferes with the proper administration of the internal revenue laws; and
 - d. Engaging in conduct that interferes with the enforcement of the internal revenue laws.

PARTIES

2. Plaintiff is the United States of America.

3. Defendant Ricia Daniels resides in Allen, Texas. She may be served at her residence or at her place of business at 13612 Midway Rd, Farmers Branch, Texas 75233.

4. Defendant Ricia's Convenience Tax Service, Inc., is owned and operated by its officer, Ricia Daniels. It may be served by serving Ricia Daniels.

5. Ricia Daniels' tax preparation business is operated either as a sole proprietorship doing business as Ricia's Convenience Tax Service, or as an S Corporation, Ricia's Convenience Tax Service, Inc. Unless otherwise indicated, they will be referred to jointly as "Ricia's Convenience Tax Service" or "RCTS."

JURISDICTION & VENUE

6. This action has been requested by the Chief Counsel of the Internal Revenue Service (IRS), a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General, pursuant to the provisions of I.R.C. A.

7. Jurisdiction over this action is conferred upon this court by virtue of 26 U.S.C. §§ 7402(a), 7407(a), 7408(a), as well as 28 U.S.C. § 1340 and 1345.

8. Ricia Daniels operates Ricia's Convenience Tax Service in this district, and a substantial part of the events giving rise to this action occurred in this district. Venue is proper pursuant to 28 U.S.C. § 1391.

DEFENDANTS' TAX PREPARATION BUSINESS OVERVIEW

9. Ricia Daniels ("Daniels") prepares tax returns for compensation.
10. Daniels is not the only tax return preparer who prepares returns for compensation associated with Ricia's Convenience Tax Service.
11. Daniels manages Ricia's Convenience Tax Service and supervises the preparation of the returns done by other tax return preparers at Ricia's Convenience Tax Service.
12. Daniels and the other preparers at Ricia's Convenience Tax Service obtain financial information from their customers, place information onto internal documents and/or input information using computer software from which customers' returns are prepared, prepares customers' returns, signs customers' returns, and submits customers' returns to the Internal Revenue Service on customers' behalf.
13. Ricia's Convenience Tax Service was issued an Employer Identification Number ("EIN").
14. Ricia's Convenience Tax Service, as a tax return preparation business, must identify itself on the returns prepared by its preparers. It identifies itself with its EIN. It must place its EIN on returns prepared by its employees or by other tax return preparers associated with Ricia's Convenience Tax Service.
15. Each individual tax return preparer is required to have a Personal Tax Identification Number ("PTIN").
16. Tax return preparers are required to manually or electronically sign the returns they substantially prepare. Their PTIN must be electronically input at the time a return is filed to identify the preparer to the Internal Revenue Service. The PTIN acts as the tax return preparer's signature.

17. Commercial businesses are only allowed to electronically file returns using an Electron Filing Identification Number (“EFIN”). The EFIN is assigned to an Electronic Return Originator (“ERO”). The EFIN used to electronically file Daniels’ and Ricia’s Convenience Tax Service’s prepared returns was issued to Daniels.

18. Daniels’ EFIN must be input at the time a return is electronically filed by Ricia’s Tax Convenience Service.

DEFENDANTS’ UNLAWFUL TAX PREPARATION ACTIVITY

19. Since 2010, Defendants have continually and repeatedly prepared federal tax returns that they knew or should have known, reported:

- a. False, improper, or inflated itemized deductions of medical expenses, unreimbursed employee business expenses and other Schedule A deductions;
- b. False, improper, or inflated business expense deductions on Schedule C (Profit and Loss from Business (Sole Proprietorship));
- c. False, improper, or inflated education expenses; and
- d. False, improper, or inflated fuel taxes.

20. As a result, Daniels’ and Ricia’s Convenience Tax Service’s customers have repeatedly reported and paid less tax than they actually owe, including claiming the earned income tax credit (“EITC”), the child tax credit, the education credit and other credits, when they were not eligible for it or in amounts that exceeded what they were entitled to claim.

21. Since 2010, Defendants have filed returns without the permission of the taxpayers.

22. The Internal Revenue Service has undertaken the examination of returns prepared by Ricia’s Convenience Tax Service. The returns examined contained Ricia’s Convenience Tax

Service's EIN. At least eight (8) of the examined returns were prepared by Daniels.

23. The Table below shows the following data from IRS records: The number of federal income tax returns prepared by Daniels and Ricia's Convenience Tax Service ("RCTS"), the number of RCTS' federal tax returns that failed to show the name of the income tax preparer, how many RCTS' returns have been examined by the IRS during each year from 2010 through 2012, and how many of those returns were determined by the IRS to have understated the tax liabilities of those customers.

Filing Year	No. of Returns Identified as Prepared at RCTS	No. of Returns Identified Prepared by Daniels	No. of RCTS' Returns Examined	No. of Examined RCTS Returns Not Identifying Preparer	% of Examined RCTS Returns Not Identifying Preparer	No. of Examined RCTS Returns Found with Understated Tax Liabilities	% of Examined RCTS Returns Understating Tax Liability
2010	350	510	6	1	16.7%	6	100%
2011	590	113	62	26	42%	62	100%
2012	614	6	30	29	96.7%	29	96.7%
Total	1,554	629	98	56	57.14%	97	98.9%

24. Defendants' actions in recklessly and intentionally preparing and supervising false and fraudulent returns for their clients caused harm to the United States. The false and exaggerated claims have generated overpayments and erroneous refunds. The 98 returns that have been examined by the Internal Revenue Service for tax years 2010, 2011 and 2012, generated \$517,184 in overpayments to taxpayers.

25. The understatements determined by the Internal Revenue Service averaged \$5,277 per return over the 98 returns.

26. Defendants' repeated and continuing preparation of false tax returns results in lost tax revenue, forces the government to devote scarce resources to investigating them, exposes

their customers to civil and criminal penalties, and undermines public confidence in the federal tax system.

27. Defendants' repeated preparation and filing of tax returns that do not disclose the name of the individual preparer violates the laws and regulations governing the preparation and electronic filing of tax returns. It also makes it more difficult for the Service to investigate Defendants' activities.

28. Since 2010, Defendants have employed individuals to prepare tax returns and are required to file Forms W-3 (reporting W-2 wages) or Forms 1099 to report the wages or other amounts paid to such individuals. Defendants have failed to file W-3s or Forms 1099 to report income or amounts paid for tax years 2010 to the date of the filing of this complaint. The failure makes it more difficult for the Service to investigate Defendants' activities.

29. Daniels filed her own individual return containing many of the same false and/or exaggerated claims taken on the returns prepared by her and Ricia's Tax Convenience Service.

30. Daniels has failed to timely file her own individual tax returns. She filed her 2011 tax return late and has not filed her 2012 tax return.

COUNT I

INJUNCTION UNDER I.R.C. § 7407

31. The United States incorporates by reference the allegations in paragraphs 1 - 30.

32. Defendants have repeatedly engaged in conduct subject to penalty under I.R.C. § 6694 by willfully and knowingly preparing federal tax returns for customers that improperly understated their tax liabilities based on unreasonable, frivolous, and reckless positions.

33. Defendants have continually and repeatedly engaged in fraudulent or deceptive conduct which substantially interfered with the proper administration of the federal tax laws.

34. Defendants' repeated violations of I.R.C. § 6694 fall within I.R.C. § 7407(b)(1)(A) and (D), and thus are subject to an injunction under I.R.C. § 7407.

35. If Defendants are not enjoined, they are likely to continue filing false and fraudulent federal tax returns and engaging in additional fraudulent conduct.

36. Defendants' continual and repeated conduct is subject to an injunction under I.R.C. § 7407. Further, a narrow injunction prohibiting only specific conduct enumerated above will be insufficient to prevent their interference with the proper administration of the internal revenue laws. Thus, Defendants should be permanently barred from acting as a federal tax return preparer.

37. The United States is entitled to injunctive relief under 26 U.S.C. § 7407.

COUNT II

ENJOIN DEFENDANT UNDER SECTION 7408 OF THE INTERNAL REVENUE CODE FOR CONDUCT SUBJECT TO PENALTY UNDER I.R.C. 6701

38. The United States incorporates by reference paragraphs 1 through 37.

39. Section 7408 of the Internal Revenue Code provides that a court can enjoin an individual from acting as a return preparer if he has, inter alia, engaged in "any action, or failure to take action, which is . . . subject to penalty under section . . . 6701."

40. Conduct subject to penalty under section 6701 includes aiding, assisting, procuring, or advising a taxpayer with respect to the preparation or presentation of a return with knowledge or reason to believe that the return may be used to understate the taxpayer's tax liability.

41. Defendants have repeatedly prepared or caused to be prepared tax returns that they knew or should have known set forth positions that were factually inaccurate and would result in understatement of their customers' tax liabilities.

42. Defendants' repeated fabrications, misrepresentations, and disregard for the law demonstrate that a permanent injunction is necessary to prevent him from continuing to prepare false federal tax returns.

43. The United States is entitled to injunctive relief under 26 U.S.C. § 7408.

COUNT III

INJUNCTION UNDER I.R.C. § 7402(a) IS NECESSARY TO ENFORCE THE INTERNAL REVENUE LAWS

44. The United States incorporates by reference the allegations of paragraphs 1 -43.

45. Section 7402, I.R.C., authorizes a district court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

46. Defendants have engaged in conduct that substantially interfered with the enforcement of the internal revenue laws.

47. Defendants have intentionally claimed false deductions and other credits to which their customers were not entitled.

48. Defendants have recklessly claimed false deductions and other credits to which their customers were not entitled.

49. Defendants have filed tax returns without the permission of the taxpayers.

50. Defendants have failed to identify the preparers, working for or associated with Defendants, on returns filed by Ricia's Convenience Tax Service.

51. Unless enjoined, Defendants are likely to continue to engage in improper conduct. If Defendants are not enjoined from preparing returns for others, the United States will suffer irreparable injury by failing to receive accurate tax payments from Daniels's customers and by erroneously providing federal income tax refunds based on inaccurate returns, to customers not entitled to receive them.

52. Permanently enjoining Defendants is in the public interest because an injunction, backed by the Court's contempt powers, if needed, will stop Defendants from perpetuating their illegal conduct in the future and further compounding the harm they have already caused the United States.

53. The United States is entitled to injunctive relief under 26 U.S.C. § 7402(a).

WHEREFORE, the United States prays for the following:

A. That the Court finds that Daniels, Daniels doing business as Ricia's Convenience Tax Service and Ricia's Convenience Tax Service, Inc., have continually and repeatedly engaged in fraudulent and deceptive conduct that substantially interferes with the administration of the tax laws;

B. That the Court find that Daniels, Daniels doing business as Ricia's Convenience Tax Service and Ricia's Convenience Tax Service, Inc., have engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and I.R.C. § 7402(a), 7407 and 7408;

C. That the Court, pursuant to I.R.C. §§ 7402(a) 7407 and 7408, enter a permanent injunction prohibiting Daniels, Daniels doing business as Ricia's Convenience Tax Service and Ricia's Convenience Tax Service, Inc., directly or indirectly from:

1. Further acting as a federal tax return preparer for anyone other than Ricia Daniels and her spouse;
2. Assisting in the preparation of federal tax returns for anyone other than Ricia Daniels and her spouse; and
3. Representing, or appearing on behalf of, any person before the IRS, other

than Ricia Daniels and her spouse.

4. Directly or indirectly, owning any interest in, managing or being employed by, any business engaged in the above prohibited activity.

D. That the Court retain jurisdiction over Daniels, Daniels doing business as Ricia's Convenience Tax Service and Ricia's Convenience Tax Service, Inc., and over their actions to enforce any permanent injunction entered against Defendants;

E. That the Court order Daniels, Daniels doing business as Ricia's Convenience Tax Service and Ricia's Convenience Tax Service, Inc., to provide to the Internal Revenue Service the name, address and social security number (tax identification number) for all persons or entities for whom Daniels, Daniels doing business as Ricia's Convenience Tax Service and Ricia's Convenience Tax Service, Inc., directly or indirectly, prepared returns since December 1, 2012, and to mail a copy of any order of injunction entered to the same person and entities, within 45 days of the entry of any order of injunction.

F. That the Court order Daniels, Daniels doing business as Ricia's Convenience Tax Service and Ricia's Convenience Tax Service, Inc., to provide to the Internal Revenue Service the name, address, social security number (tax identification number), and Personal Tax Identification Number ("PTIN") for all tax return preparers who directly or indirectly prepared returns for Daniels or Ricia's Convenience Tax Service since December 1, 2012, and to identify which returns each preparer worked on.

G. That the United States be entitled to conduct discovery to monitor Defendants' compliance with the terms of any permanent injunction entered against them; and

H. That the Court grants the United States such other and further relief, including costs, as is just and equitable.

/s/ Joseph A. Pitzinger, III
JOSEPH A. PITZINGER, III

Attorney, Tax Division
Tex. Bar. No. 16055800
Department of Justice
717 N. Harwood, Suite 400
Dallas, Texas 75201
Phone: (214) 880-9728
Fax: (214) 880-9742
Joseph.A.Pitzinger@usdoj.gov

SARAH R. SALDAÑA
UNITED STATES ATTORNEY

ATTORNEYS FOR THE UNITED STATES