

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF MISSOURI

EASTERN DIVISION

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	Case No.: 4:07-cv-00249
)	
YOLANDA WHITE, Individually, and)	
d/b/a White Professional Services,)	
)	
Defendant.)	

JUDGMENT AND ORDER OF PERMANENT INJUNCTION

Plaintiff United States filed its Complaint for Permanent Injunction and Other Relief under sections 7407 and 7402 of the Internal Revenue Code (26 U.S.C.) on February 1, 2007, seeking to bar defendant Yolanda White from preparing income tax returns for others. The United States personally served White with process on February 2, 2007, and the clerk entered her default on February 23, 2007, when White failed to answer the Complaint or otherwise appear in this action.

Plaintiff has moved for the entry of a default judgment against defendant pursuant to Fed.R.Civ.P. 55(b)(2). Plaintiff's motion is supported by the Declarations of IRS officers Mark Stone, Donna Bock, Shelia Brown, Michael Murphy, and customer Elecia Whitney. In accordance with Fed.R.Civ.P. 65(d), the findings of fact and reasons for the entry of a permanent injunction against White are set forth below.

Findings of Fact

1. This Court has jurisdiction over the parties and subject matter of this case.
2. Defendant Yolanda White operates or does business as “White Professional Services.”
3. White prepared at least 337 federal income tax returns in calendar years 2004, 2005, and 2006.
4. The IRS examined 30 federal income tax (Form 1040) returns that White prepared for the 2003, 2004, and 2005 tax years. These returns claimed inflated or fabricated tax deductions on the Schedules A (medical, hobby, and other miscellaneous deductions) and C (business deductions). The IRS also discovered that:
 - A. All 30 returns claimed at least one false deduction;
 - B. All 30 returns caused tax revenue loss to the United States; the average tax loss per return was \$2,988;
 - C. 11 of the returns claimed Schedule C deductions, all of which contained false deductions;
 - D. 24 of the returns claimed false Schedule A deductions; and
 - E. Two returns White prepared were marked “self prepared.”
5. The 30 federal income tax returns White prepared that the IRS examined understated the correct federal income tax liabilities of her customers by a total of \$89,638. On those tax returns, White fabricated or grossly inflated the deductions claimed for Schedule C business losses, Schedule A medical expenses, hobby expenses, and other miscellaneous expenses. The customers did not provide White with information to substantiate such deductions, or provide information to support deductions in lesser amounts.

6. White is an “income tax preparer” as defined in IRC § 7701(36). She admitted preparing federal income tax returns for others for compensation.

7. White e-filed returns for some of her customers as if the customers were preparing the returns themselves.

8. White has prepared federal tax returns as recently as 2006.

9. White willfully understated her customers’ federal income tax liabilities by fabricating and grossly inflating their tax deductions.

10. White knowingly and intentionally understated the federal income tax liabilities of Ramiza and Mato Lipovac, Sejdalija Nuhanovic, Mevludin and Fahra Valjevcic, Liljana and Seid Catic, and at least 26 other taxpayers when she prepared federal income tax returns for them which falsely claimed they were entitled to substantial deductions.

11. The tax returns White prepared for the Lipovacs, the Nuhanovics, the Valjevcics, the Catics, and many others that were audited by the IRS claimed fictitious or greatly inflated tax deductions for items such as medical expenses, cash contributions, and other miscellaneous expenses. Consequently, those tax returns understated the federal income tax liabilities of White’s customers. Because White fabricated or greatly overstated the deductions, there was no possibility the deductions could be substantiated or allowed on examination. Therefore, there was no possibility, realistic or otherwise, that White’s positions on those tax returns could be sustained on the merits.

12. White either knew or reasonably should have known there was no realistic

possibility that the positions she adopted on her customers' returns would be sustained on their merits.

13. White failed to furnish her identification number on at least two of the 30 federal income tax returns she prepared that the IRS examined.

14. White "continually" engaged in conduct subject to penalty when she prepared tax returns in 2003, 2004, and 2005 that falsely claimed deductions on behalf of her customers. She "repeatedly" engaged in such conduct when she prepared at least 30 tax returns over three taxable years that willfully understated her customers' tax liabilities.

15. White has prepared at least 337 Form 1040 federal income tax returns. The estimated tax revenue loss White caused for the 2003-2005 tax years is over \$1 million, and will likely continue to increase in the absence of an injunction.

16. These facts show that White is not likely to voluntarily cease understating her customers' federal income tax liabilities.

17. White interfered with the enforcement of the internal revenue laws by continually and repeatedly understating her customers' tax liabilities by completely fabricating or grossly overstating their income tax deductions. This conduct is sufficient to justify relief under IRC § 7402. White's continued and repeated understatement of her customers' tax liabilities unduly burdens the IRS and hurts her customers, who end up having to pay additional taxes and statutory interest.

18. The Government has been irreparably harmed by the loss of tax revenue due to the

understatements of liability, and by the drain on administrative resources caused by the need to examine a large number of returns prepared by White. Her customers have also been harmed because many are now at risk of having to pay back taxes with interest.

19. The balance of the harm in this case favors the entry of an injunction.

20. The United States is likely to succeed on the merits.

21. These facts support the issuance of an injunction under IRC § 7402, given the strong public interest in the fair administration of the federal tax laws and the proper and efficient collection of taxes to support the federal government and its programs and policies.

22. The defendant has not answered the Complaint or otherwise appeared in this action. The clerk entered default on February 27, 2007.

Conclusions of Law

1. Based upon the factual findings and evidence presented by the United States that the defendant has not opposed, the Court also finds that White has continually and repeatedly engaged in conduct subject to penalty under IRC §§ 6694 and 6695, and has continually and repeatedly engaged in other fraudulent or deceptive conduct substantially interfering with the administration of the tax laws. The Court also finds that a narrower injunction prohibiting only this specific misconduct would be insufficient.

2. Accordingly, the Court finds that White should be permanently enjoined under IRC § 7407.

3. The Court also finds that White has engaged in conduct in violation of IRC § 6701, and that injunctive relief is appropriate to prevent the recurrence of that conduct.

4. The Court further finds that White has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that the United States and the public will suffer irreparable harm in the absence of a permanent injunction. The public interest will be served by granting a permanent injunction.

5. Accordingly, the Court finds that White should be permanently enjoined under I.R.C. § 7402(a).

Order

Based on the foregoing factual finds, and for good cause shown, the Court orders that the defendant, Yolanda White, individually and doing business as White Professional Services, and her agents, servants, employees, and those persons in active concert or participation with her who receive actual notice of this Order, are enjoined from:

- a. acting as a federal tax return preparer or requesting, assisting in, or directing the preparation or filing of federal tax returns for any person or entity other than herself, or appearing as a representative on behalf of any person or organization whose tax liabilities are under examination or investigation by the Internal Revenue Service;
- b. preparing or assisting in the preparation or filing of tax returns for others that defendant knows will result in the understatement of any tax liability;
- c. understating customers' tax liabilities as subject to penalty under IRC § 6694;
- d. instructing or advising taxpayers to understate their federal tax liabilities;
- e. engaging in any other activity subject to penalty under IRC § 6694;
- f. engaging in any activity subject to penalty under IRC § 6695; and
- g. engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

Further, the Court orders White to contact by mail all persons for whom she prepared a federal tax return since January 1, 2002, and inform them of the Court's findings concerning the falsity or fraudulent attributes of those tax returns and enclose a copy of the permanent injunction against White. Defendant will bear the costs of providing a copy of the permanent injunction to her customers.

Further, the Court orders White to produce to counsel for the United States, within eleven days of the entry of an injunction against her, a list that identifies by name, social security number, address, email, telephone number, and tax period(s) all persons for whom White prepared federal tax returns or claimed a tax refund since January 1, 2004. Defendant must file a sworn certificate of compliance swearing she has complied with this portion of the Order, within ten days of the date of this Order.

Further, the Court orders that the United States is permitted to engage in post-judgment discovery to ensure compliance with this Order.

Finally, the Court orders that it shall retain jurisdiction over this action for purposes of implementing and enforcing this Order and any additional orders necessary and appropriate to the public interest.

Dated this 9th day of March, 2007.



SENIOR UNITED STATES DISTRICT JUDGE