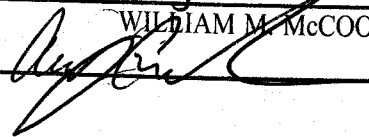


Presented to the Court by the foreman of the
Grand Jury in open Court, in the presence of
the Grand Jury and FILED in the U.S.
DISTRICT COURT at Seattle, Washington.

February 13 20 20
WILLIAM M. McCOOL, Clerk
By  Deputy

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF WASHINGTON
AT TACOMA

UNITED STATES OF AMERICA,

Plaintiff,

v.

CLEO J. REED, JR.,

Defendant.

NO. CR20-5069BHS

SUPERSEDING
INDICTMENT

The Grand Jury charges that:

I. Introduction

A. *The Defendant and Entities*

1. CLEO J. REED, JR., was a resident of Lakewood, Washington.
2. Unindicted Coconspirator-1 ("UC-1") and N.R. were husband and wife, and were CLEO J. REED, JR.'s parents. UC-1 and N.R. were residents of University Place, Washington.
3. We "B" Tax Service was an entity through which, between 2008 and 2010, UC-1 prepared and filed with the Internal Revenue Service ("IRS"), taxpayers' individual federal income tax returns.

1 4. Just Us Tax Services was an entity through which, during 2011, and 2012,
2 CLEO J. REED, JR., and UC-1 prepared and filed with the IRS taxpayers' individual
3 federal income tax returns.

4 5. Youngs Tax Services was an entity through which, during 2014, CLEO J.
5 REED, JR., and Y.Y. prepared and filed with the IRS taxpayers' individual federal
6 income tax returns.

7 6. Everyday Essentials was a marijuana dispensary located in Puyallup,
8 Washington, which, beginning in approximately April 2012, was owned and operated by
9 CLEO J. REED, JR., along with various members of his family. CLEO J. REED, JR.,
10 employed Y.Y. at Everyday Essentials.

11 *B. The Income Tax System*

12 7. The IRS was and is an agency of the United States Department of Treasury
13 responsible for the ascertainment, computation, assessment, and collection of Federal
14 Income Taxes. In order to assess and collect taxes, the IRS must accurately determine
15 taxpayers' incomes.

16 8. An Earned Income Tax Credit ("EITC") is a refundable tax credit available
17 to certain low-income working people. Because the EITC is a refundable credit, claiming
18 an EITC can reduce a taxpayer's federal tax liability below zero, entitling the taxpayer to
19 a refund payment from the United States Treasury. To qualify for an EITC, a tax filer
20 must have earned income that does not exceed a threshold set by the IRS. Individuals in
21 a certain income range receive the maximum possible EITC, given the number of
22 qualifying children they can claim. Accordingly, individuals whose incomes fall outside
23 this range, either because they earn less or more than the range, receive less than the
24 maximum possible EITC.

25 9. Income that can be claimed as earned income, in order to qualify for an
26 EITC, includes what is referred to as "Household Help" income. Household Help
27 income ("HSH") is paid to individuals typically hired to perform household work, and
28 these individuals are considered employees of the person for whom they perform the

1 household work. Benefits such as Social Security Disability Insurance, SSI, or military
2 disability pensions are not considered earned income and cannot be used to claim the
3 EITC.

4 10. A tax return preparer is required by law to furnish a completed copy of a
5 tax return or claim for refund to a taxpayer not later than the time which a return or claim
6 is presented for such taxpayer's signature.

7 11. The IRS assigns every paid tax return preparer a Preparer Tax Identification
8 Number ("PTIN"), which must be affixed to every return the preparer files. Each PTIN
9 is unique and every individual tax return preparer working for a tax preparation firm is
10 required to have a PTIN to identify himself or herself with the IRS as the paid tax return
11 preparer. That is, a PTIN is to be used only by the person to whom the PTIN is assigned.

12 12. The IRS assigns an Electronic Filing Identification Number ("EFIN") to tax
13 preparation firms that have completed an application process and have passed a
14 suitability check to become an authorized IRS e-file provider able to file returns
15 electronically. Each EFIN is unique and is to be used only by the specific business to
16 which the EFIN is assigned. If the IRS finds problems with a tax preparation office, it
17 can suspend and revoke the tax preparer's EFIN.

18 13. The IRS Criminal Investigation ("CI") investigates possible criminal
19 violations of the United States Internal Revenue Code in order to prevent financial crimes
20 against the government and retain confidence in the tax system.

21 *C. Background Relating to Formation and Operation of Just Us Tax*
22 *Services and Youngs Tax Services*

23 14. On April 15, 2010, IRS CI Special Agents executed a Search
24 Warrant at We "B" Tax Service. The Affidavit in support of the Search Warrant,
25 which was provided to UC-1, indicated that the searching IRS CI Special Agents were
26 seeking evidence of tax fraud, that is, evidence that UC-1 had fraudulently claimed EITC
27 on behalf of his clients.
28

1 15. During December 2010, CLEO J. REED, JR., applied with the IRS for a
2 PTIN, and an EFIN in the business name Just Us Tax Services. Pursuant to those
3 applications, the IRS issued a PTIN to CLEO J. REED, JR., and an EFIN to Just Us Tax
4 Services. During 2011 and 2012, through Just Us Tax Services, CLEO J. REED, JR., and
5 UC-1 filed clients' 2010 and 2011 federal income tax returns, respectively.

6 16. While operating Just Us Tax Services, CLEO J. REED, JR., retained the
7 services of Unindicted Coconspirator-2 ("UC-2"). UC-2 was responsible for locating
8 individuals who would allow Just Us Tax Services to prepare and file their income tax
9 returns.

10 17. Just Us Tax Services directed the IRS to submit the refunds that Just Us
11 Tax Services claimed to Santa Barbara Tax Products Group ("SBTPG"). Pursuant to
12 Just Us Tax Services' agreement with SBTPG, once SBTPG received the tax refunds,
13 Just Us Tax Services would pay the refunds, less tax return preparation fees, to clients by
14 delivering cashiers' checks or debit cards to the clients. SBTPG was to then wire the tax
15 return preparation fees to Just Us Tax Services.

16 18. On August 9, 2012, after determining that tax returns filed by Just
17 Us Tax Services claimed an exceptionally high rate of EITC, the IRS mailed a letter to
18 CLEO J. REED, JR., in which it notified him that the IRS was revoking the EFIN it had
19 assigned Just Us Tax Services because, "A criminal investigation has determined that
20 fraudulent returns have been filed utilizing the [assigned] Electronic Filing Identification
21 Number (EFIN)" On May 1, 2013, the IRS mailed CLEO J. REED, JR., a letter
22 denying his appeal of the IRS revocation of the EFIN it had assigned to Just Us Tax
23 Services.

24 19. On June 26, 2013, UC-1 entered a guilty plea to an Information charging
25 him with False Claims Conspiracy, in the United States District Court for the Western
26 District of Washington, at Tacoma, Cause No. CR13-5373BHS. In doing so, UC-1
27 admitted in open court that while he operated We "B" Tax Services, UC-1 filed tax
28 returns in which he fraudulently claimed EITC. On October 31, 2013, the District Court

1 sentenced UC-1 to 30 months' imprisonment. Because of health concerns, however,
2 UC-1 did not begin serving his sentence until September 8, 2014. CLEO J. REED, JR.,
3 attended UC-1's guilty plea and sentencing hearings.

4 20. During approximately November 2013, CLEO J. REED, JR., requested that
5 Y.Y. form a new tax preparation business. In response to that request, Y.Y. applied with
6 the IRS for a PTIN, and an EFIN in the name Youngs Tax Services. Pursuant to those
7 applications, the IRS issued a PTIN to Y.Y., but denied Y.Y.'s application for an EFIN.
8 After Y.Y. filed an individual income tax return, however, the IRS issued an EFIN to
9 Youngs Tax Services.

10 21. On or about December 18, 2013, CLEO J. REED, JR., drafted a
11 promotional brochure on behalf of Youngs Tax Services, which provided, in relevant
12 part:

13 This letter is to inform you We're BACK!!! "Just Us" Tax Services have joined
14 with Young's Tax services (sic) and is back providing your electronically filed (E-
15 File) tax returns Thank you in considering "Just Us" Tax Services and
16 "Young's" Tax Services. . . . We will be accepting Interview sheets after
January 1st, 2014. . . .

17 The signature block of the letter provided fax and telephone numbers subscribed to by
18 both CLEO J. REED, JR., and Y.Y. That is, the signature block provided:

19 Cleo J. Reed, "*Just Us*" Tax Services
20 Ph. (253) 228-1311 fax: 253 581-1113 or (253) 212-2548

21 Y.Y. *Young's* Tax Services
22 Ph. (253) 228-8159

23 22. During the subsequent operation of Youngs Tax Services, CLEO REED,
24 JR., continued to retain UC-2 for the purpose of locating individuals who would allow
25 Youngs Tax Services to prepare their income tax returns. UC-1 informed former clients
26 that, for various reasons, including that he had been "raided" and was suffering from poor
27 health, he no longer was filing clients' income tax returns.
28

23. CLEO J. REED, JR., and Y.Y. used commercial tax preparation software to prepare tax returns and to transmit them to an IRS Service Center. CLEO J. REED, JR., prepared and filed tax returns, and caused tax returns to be prepared and filed, from CLEO REED, JR.'s residence, his business, Everyday Essentials, and on two occasions, his place of employment, the Sumner School District. Y.Y. prepared and transmitted tax returns from his place of employment, Everyday Essentials.

24. On the tax returns they prepared and filed during the operation of Youngs Tax Services, CLEO J. REED, JR., and Y.Y. identified the location of Youngs Tax Services as P.O. Box 39221, Lakewood, Washington, and the firm's telephone number as 253 228-1311. CLEO J. REED, JR., leased this P.O. Box and subscribed to the telephone number.

25. Youngs Tax Services directed the IRS to submit the refunds that Youngs Tax Services claimed to SBTPG. Pursuant to Youngs Tax Services' agreement with SBTPG, once SBTPG received the tax refunds, Youngs Tax Services would pay the refunds, less tax return preparation fees, to clients by delivering cashiers' checks or debit cards to the clients. SBTPG was to then wire the tax return preparation fees to Youngs Tax Services.

26. During approximately June 2014, SBTPG refused to submit to Youngs Tax Services approximately \$34,000 in tax return preparation fees. On or about July 16, 2014, however, SBTPG wired the preparation fees it had withheld to account an account held by Y.Y., DBA Youngs Tax Services, at US Bank.

COUNT 1

(Conspiracy to Defraud the United States)

A. Introduction

27. The allegations in paragraphs 1 through 26 of this Superseding Indictment are re-alleged and incorporated as if fully set forth herein.

1 B. The Conspiracy

2 28. Beginning in or before December 2010, and continuing until on or about
3 July 16, 2014, at Lakewood, in the Western District of Washington, and elsewhere,
4 CLEO J. REED, JR., knowingly and willfully conspired, and agreed together and with
5 other persons both known and unknown to the grand jury, to defraud the United States of
6 and concerning its right and governmental function of the ascertainment, computation,
7 assessment, and collection of revenue, through and by means of its officers and
8 employees in the Internal Revenue Service of the United States Department of
9 the Treasury, unhindered, unhampered, unobstructed and unimpaired by the exertion
10 upon such officers and employees of dishonest, unlawful, corrupt, improper and undue
11 pressure and influence.

12 C. The Object of the Conspiracy

13 29. It was the object of the conspiracy that the defendant, CLEO J. REED, JR.,
14 and his coconspirators, would and did unjustly enrich and attempt to enrich themselves,
15 by preparing and filing with the IRS, an agency of the United States Government, false,
16 fictitious, and fraudulent federal income tax returns on behalf of clients of Just Us Tax
17 Services and Youngs Tax Services in which they claimed EITC, and corresponding tax
18 refunds, to which the clients were not entitled. Upon receiving fraudulently-inflated
19 refunds from the IRS, the coconspirators retained and distributed a portion of the refunds
20 as their fees.

21 D. Manner and Means of the Conspiracy

22 30. The manner and means by which CLEO J. REED, JR., sought to
23 accomplish the object of the conspiracy, included the following:

24 31. It was part of the conspiracy that CLEO J. REED, JR., would by deceit,
25 craft, trickery and dishonest means, defraud the United States by interfering with and
26 obstructing the lawful government functions of the Internal Revenue Service, in that,
27 CLEO J. REED, JR., and his coconspirators, would prepare, and cause to be prepared, tax
28 returns falsely claiming that taxpayers had earned Household Help income, which they

1 had not earned. In preparing these tax returns, and causing them to be prepared, CLEO
2 REED, JR., and his coconspirators, fraudulently claimed, and caused to be claimed,
3 EITC, and resulting tax refunds, to which the taxpayers were not entitled.

4 32. It was further part of the conspiracy that, in filing fraudulent tax returns,
5 and causing fraudulent tax returns to be filed, CLEO J. REED, JR., used Y.Y.'s name and
6 the PTIN assigned by the IRS to Y.Y., in order to conceal CLEO J. REED, JR.'s true
7 identity from the IRS. That is, he sought to conceal from the IRS the fact that the IRS
8 previously had revoked the EFIN it had assigned Just Us Tax Services while CLEO J.
9 REED, JR., operated that tax preparation firm.

10 33. It was further part of the conspiracy that, full well knowing that their
11 incomes and sources of their incomes would be misrepresented to the IRS, UC-2 sought
12 to recruit taxpayers who would allow CLEO J. REED, JR., UC-1, Just Us Tax Services,
13 and Youngs Tax Services to prepare their income tax returns.

14 34. It was further part of the conspiracy that CLEO J. REED, JR., sought to
15 conceal from taxpayers the fact that he had prepared and filed, and caused to be prepared
16 and filed, tax returns in the taxpayers' names, which falsely and fraudulently claimed that
17 the taxpayers had earned Household Help income, by failing to provide the taxpayers
18 with copies of their completed tax returns.

19 35. It was further part of the conspiracy that CLEO J. REED, JR., UC-1, and
20 UC-2 divided among themselves proceeds generated by the conspiracy.

21 36. In this manner, CLEO J. REED, JR., fraudulently attempted to obtain from
22 the IRS tax refunds, and did obtain from the IRS tax refunds, including but not limited to
23 tax refunds for the taxpayers identified in the overt acts listed in Paragraphs 38-44 below.

24 D. Overt Acts

25 37. In furtherance of the conspiracy and to effect the objects of the conspiracy,
26 the following overt acts, among others, were committed in the Western District of
27 Washington and elsewhere:
28

1 38. On or about February 13, 2014, CLEO J. REED, JR., caused to be
2 electronically filed with the IRS, a tax year 2013, federal income tax return in the name
3 of A.G., which contained fictitious Household Help income, and fraudulently claimed an
4 EITC, and a resulting tax refund, to which A.G. was not entitled.

5 39. On or about February 13, 2014, CLEO J. REED, JR., caused to be
6 electronically filed with the IRS, a tax year 2013, federal income tax return in the name
7 of G.S., which contained fictitious Household Help income, and fraudulently claimed an
8 EITC, and a resulting tax refund, to which G.S. was not entitled.

9 40. On or about February 13, 2014, CLEO J. REED, JR., caused to be
10 electronically filed with the IRS, a tax year 2013, federal income tax return in the name
11 of R.N., which contained fictitious Household Help income, and fraudulently claimed an
12 EITC, and a resulting tax refund, to which R.N. was not entitled.

13 41. On or about February 13, 2014, CLEO J. REED, JR., caused to be
14 electronically filed with the IRS, a tax year 2013, federal income tax return in the name
15 of J.B., which contained fictitious Household Help income, and fraudulently claimed an
16 EITC, and a resulting tax refund, to which J.B. was not entitled.

17 42. On or about February 14, 2014, CLEO J. REED, JR., caused to be
18 electronically filed with the IRS, a tax year 2013, federal income tax return in the name
19 of S.N., which contained fictitious Household Help income, and fraudulently claimed an
20 EITC, and a resulting tax refund, to which S.N. was not entitled.

21 43. On or about February 15, 2014, CLEO J. REED, JR., caused to be
22 electronically filed with the IRS, a tax year 2013, federal income tax return in the name
23 of N.W., which contained fictitious Household Help income, and fraudulently claimed an
24 EITC, and a resulting tax refund, to which N.W. was not entitled.

25 44. On or about March 12, 2014, CLEO J. REED, JR., caused to be
26 electronically filed with the IRS, a tax year 2013, federal income tax return in the name
27 of J.G., which contained fictitious Household Help income, and fraudulently claimed an
28 EITC, and a resulting tax refund, to which J.G. was not entitled.

45. On June 24, 2014, CLEO J. REED, JR., using an email account subscribed to by him, that is, cleroc44@gmail.com, sent an email to SBTPG in which he requested that the firm release tax preparation fees to Youngs Tax Services.

46. On July 14, 2014, CLEO J. REED, JR., using an email account subscribed to by him, that is, cleroc44@gmail.com, sent an email to SBTPG in which he requested that the firm release tax preparation fees to Youngs Tax Services.

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

COUNTS 2-8

(Aiding in Preparation and Presentation of False Tax Returns)

47. The allegations in paragraphs 1 through 46 of this Indictment are re-alleged and incorporated as if fully set forth herein.

48. On or about the dates below, at Lakewood, in the Western District of Washington, and elsewhere, the defendant, CLEO J. REED, JR., did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service, under the internal revenue laws, of U.S. Individual Income Tax Returns, Form 1040, along with the accompanying schedules, for the taxpayers and years specified below. The returns were false and fraudulent as to material matters, in that, in order to establish the maximum possible Earned Income Tax Credits, CLEO J. REED, JR., falsely reported that taxpayers had earned more Household Help ("HSH") income than they actually had earned.

COUNT	DATE	TAXPAYER	TAX YEAR	FALSE ITEM	REFUND CLAIMED
2	February 13, 2014	A.G.	2013	HSH Wages of \$15,450	\$7,240
3	February 13, 2014	G.S.	2013	HSH Wages of \$4,800	\$1,246

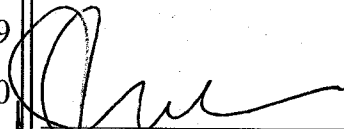
4	February 13, 2014	R.N.	2013	HSH Wages of \$16,352	\$8,212
5	February 13, 2014	J.B.	2013	HSH Wages of \$9,800	\$4,250
6	February 14, 2014	S.N.	2013	HSH Wages of \$14,371	\$7,078
7	February 15, 2014	N.W.	2013	HSH Wages of \$10,800	\$7,372
8	March 12, 2014	J.G.	2013	HSH Wages of \$14,580	\$7,801

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

A TRUE BILL:

Dated: February 13, 2020

Signature of Foreperson redacted pursuant
To the policy of the Judicial Conference
of the United States


BRIAN T. MORAN

United States Attorney


ANDREW C. FRIEDMAN

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ARLEN R. STORM

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