

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

<b>United States,</b>	§	
<b>Plaintiff,</b>	§	
	§	
	§	
<b>v.</b>	§	<b>Case No.</b> _____
	§	
	§	
<b>Tina Glover Preston; The Preston Group &amp; Associates, Inc., dba Preston Tax Services, Inc.;</b>	§	
<b>Ethel Washington; LaTavia Glover; Tyrone Williams; Gayla Oladele; and Jason Jeroski,</b>	§	
	§	
<b>Defendants.</b>	§	

**Complaint and Request for Injunctive Relief**

Plaintiff United States of America, for its complaint against the above-named defendants, states as follows:

**Jurisdiction and Venue**

1. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. §§ 7402(a), 7407, and 7408.
2. This suit is brought under 26 U.S.C. §§ 7402, 7407, and 7408 to restrain and enjoin defendants from:
  - a. preparing federal income tax returns, amended returns, and other related

documents and forms for others;

- b. assisting in the preparation of federal income tax returns that they know will result in the understatement of any tax liability or the overstatement of federal tax refunds;
  - c. engaging in conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws and from promoting any false tax schemes; and
  - d. engaging in any activity subject to penalty under 26 U.S.C. §§ 6694, 6695, or 6701.
3. This action has been requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General under 26 U.S.C. §§ 7402, 7407, and 7408.
  4. Venue is proper in this Court under 28 U.S.C. §§ 1391 and 1396.
  5. Tina Glover Preston resides in Dallas, Texas, within this judicial district.
  6. The Preston Group & Associates, Inc., dba Preston Tax Services, Inc., conducts business in Dallas, Texas, within this judicial district.
  7. Ethel Washington resides in Dallas, Texas, within this judicial district.
  8. LaTavia Glover resides in Balch Springs, Texas, within this judicial district.
  9. Tyrone Williams resides in Grand Prairie, Texas, within this judicial district.
  10. Gayla Oladele resides in Balch Springs, Texas, within this judicial district.
  11. Jason Jeroski resides in Mesquite, Texas, within this judicial district.

### **Overview of the Scheme**

12. Defendants are federal tax return preparers who continually and repeatedly prepare federal income tax returns for individual taxpayers and fabricate Schedule C businesses for them or falsely claim periodic income earned from babysitting and other activities as Schedule C businesses, in order to improperly claim maximum earned income tax credits (EITC), or take improper tax deductions.
13. Defendants continually and repeatedly prepare customers' federal income tax returns, showing little or no Schedule C income and claiming fictitious or overstated expenses to create a Schedule C loss that is used to offset the customers' W-2 wage income and thus substantially reduce or eliminate their customers' taxable income.
14. In furtherance of this scheme, defendants also create fictitious or overstated Schedule A deductions to substantially reduce or eliminate their customers' taxable income.
15. For customers with little income, defendants falsely inflate Schedule C income so that customers can claim to be eligible for the EITC.
16. Defendants used Tina Preston's EFIN (electronic filing identification number) to file federal income tax returns with the IRS.
17. Defendants had a financial incentive to understate their customers' tax liability (or overstate EITC), as Tina Preston receives a percentage of

inflated refunds and the other defendants receive commissions and awards based on the amount of refunds generated by the returns they prepare.

18. In order to boost defendants' income from these fraudulent tax returns, Tina Preston and The Preston Group have held "commission parties" for their employees and customers after filing season is over to celebrate their recently completed successful tax season.
19. At a 2004 commission party, the approximately 300 to 400 guests were provided food, liquor, and male and female strippers for entertainment.
20. At a 2005 commission party, Tina Preston held drawings for her customers for prizes including a car, \$1000 in cash, and a trip to Jamaica.
21. Using this scheme, defendants prepared 10,695 returns for the 2003 through 2007 tax years.
22. The IRS has conducted numerous examinations of these returns that have resulted in adjustments to either the claimed Schedule C or Schedule A, or both.
23. Based on the IRS's examinations thus far, the average tax deficiency per return is \$5,666.
24. The IRS has found an average tax deficiency per return of \$5,666. If this average amount is applied to all 10,695 returns, the estimated tax loss to the United States by defendants' scheme could be more than \$60 million for tax years 2003-2007.

### **Facts Pertaining to Individual Defendants**

#### **A. Tina Preston and The Preston Group.**

25. Tina Preston is an unenrolled return preparer who operates The Preston Group.
26. Preston began preparing returns with her daughter, La Tavia Glover, in 1997.
27. Preston initially operated her return-preparation business as a sole proprietorship and later incorporated it in 2004. The business is commonly known as The Preston Group and uses the business name Preston Tax Services, Inc.
28. Preston's return-preparation business grew substantially and in 2001 she began hiring employees, including the above-named defendants.
29. The Preston Group has operated out of Preston's personal residence and two separate business locations.
30. In order to prepare thousands of returns per year, Preston and The Preston Group employ 20 to 30 employees, including tax preparers (managed by Tina Preston), data entry clerks, a quality control department (run by Tina Preston), and receptionists.
31. In order to ensure that her employees prepare returns in accordance with the scheme described above, Preston developed a return-preparation course that she conducts every September through December for new employees and

any returning employees.

32. During these classes, Preston teaches her employees how to fabricate Schedule C businesses.
33. One former employee has signed an affidavit stating that during these classes, “Tina Preston instructed us on how to create bogus businesses. She stated that she would represent clients if ever audited and produce receipts.”
34. In order to claim that any false tax returns are based on information she or other defendants received from customers, Preston has Preston Group prepare a false “Profit & Loss Statement” that mirrors the IRS Form Schedule C that is prepared, and a Schedule A statement that mirrors the IRS Form Schedule A that is prepared. Stated more simply, the Preston Group and its employees fabricate phony business records to back up the false tax returns they prepare.
35. In an interview with the IRS, Preston falsely claimed that customers were required to fill out these statements based on their own books and records, and that the statements were then sent to her employees to prepare the customers’ returns.
36. Customers have informed the IRS, however, that Preston’s employees told them what numbers to put on the statements, that Preston’s employees filled the statements in for them, or that they were unaware that they had signed these statements because the statements were submitted to them along with

other forms requiring their signatures, such as Refund Anticipation Loan contracts and E-File Authorizations.

37. For example, sometime in 2003, Preston, through the Preston Group, prepared the 2002 federal individual income tax return for a Dallas school teacher, falsely reporting that she had an educational tutoring business.
38. On the return's Schedule C, Preston, through the Preston Group, falsely reported a Schedule C business loss, reducing the customer's taxable income by \$14,347 and resulting in a \$2,719 tax refund.
39. This customer later signed an affidavit stating that none of the information she provided Preston suggested that she had a Schedule C business or incurred a Schedule C business loss.
40. When this customer's return was selected for audit by the IRS, Preston refused to discuss the return with the customer or even talk to the customer about the IRS examination.
41. Instead, Preston's daughter, LaTavia Glover, told the customer to create false receipts or provide other information to the IRS that the customer had not provided to Preston (because this information did not exist) when Preston prepared the return.
42. In another example, Preston, through The Preston Group, prepared the 2004 federal individual income tax return of a Garland, Texas loss prevention employee who operated a Schedule C jewelry sales business.

43. This customer gave a worksheet to Preston itemizing his business expenses, including \$75.93 for advertising expenses and no claimed expense for legal and professional services.
44. On the return's Schedule C, Preston, through The Preston Group, falsely claimed \$3,684 in advertising expenses and \$3,652 in legal and professional services, resulting in a \$23,905 claimed loss, an improper claim for the Earned Income Tax Credit, and an improperly claimed \$6,216 tax refund.
45. This customer later signed an affidavit stating that "I wrote down my business expenses and they do not match what is showing on my return."
46. One former Preston Group employee stated in an affidavit that while employed by the Preston Group during 2007, she was instructed how to "do the Schedule C forms for those who do not have a business" and "how to initiate the Schedule C" by asking customers if they had any other work "like lawn service, baking, janitorial, babysitting anything that may bring up more income/expenses to write off so that the refund could go up higher."
47. Another former Preston Group employee told the IRS during an interview that Preston told her during training that if the refund was only \$1,000 "we were taught to say, 'Did you ever do lawn service, baby sitting, janitorial, baking, etc.? We can up your refund.'"
48. As an example of this scheme, when one former customer told a Preston



Group tax preparer that she did some baking, the Preston Group charged the customer \$600 to prepare the customer's 2006 federal income tax return falsely claiming the customer had a hair-styling business with a \$12,738 Schedule C business loss, resulting in a \$7,253 tax refund.

49. After an IRS audit where the IRS disallowed the bogus Schedule C business loss, this taxpayer owed \$3,385 in tax.
50. In 2006, Preston entered a guilty plea to the felony charge of aiding and abetting the transfer of an unlawfully produced government identification document in the United States District Court for the Northern District of Texas and was sentenced to federal prison.
51. Tina Preston was released from custody on November 23, 2007.
52. A few weeks later, on December 19, 2007, shortly after she was released from federal prison, Preston was interviewed by the IRS.
53. During this interview, the IRS informed Preston of the numerous false Schedule Cs examined by the IRS, the affidavits obtained from The Preston Group's customers, and that the IRS would recommend that the Department of Justice seek injunctive relief to shut down The Preston Group.
54. Despite this notice in December of 2007, The Preston Group has continued to prepare false tax returns.
55. As an example, in 2008, Jason Jeroski, on behalf of The Preston Group, prepared the 2007 federal income tax return of a Dallas man employed as

truck driver, falsely claiming that the customer was in business as a “driver” with a claimed \$20,122 claimed Schedule C business loss, resulting in a claimed refund for \$6,607.

56. The customer has stated that “I did not have a business in the year of 2007” and that he did not “tell. . . anyone to add that on.”
57. As the result of an IRS audit, the Schedule C business loss was disallowed and the customer owed \$3,869 in additional tax (excluding interest and penalties).
58. The Preston Group prepared an estimated 1,312 returns in 2008.
59. The Preston Group continues to advertise its tax-preparation services at [prestontaxservicesinc.com](http://prestontaxservicesinc.com), which states that Preston Tax Services is currently open for “Tax Season Hours” Monday through Saturday 8:00 a.m. to 8:00 p.m. and Sundays from 10:00 a.m. to 6:00 p.m.
60. Despite the IRS’s lawful demand, Preston has refused to provide to the IRS a customer list for the 2003 to 2005 tax years.

**B. Ethel Washington.**

61. Ethel Washington worked with Preston and the Preston Group from 2000 to 2006, and, on information and belief, presently prepares returns using the business name Washington Income Tax Service.
62. During 2005, Washington prepared federal income tax returns at her restaurant using Preston’s EFIN, an IRS-issued number for tax preparers

who file returns electronically.

63. After Preston went to federal prison in 2006, Washington acquired her own EFIN and prepared returns on her own at her restaurant.
64. The returns Washington prepared for the Preston Group contained false or fabricated Schedule C businesses and expenses and false or fabricated Schedule A deductions that substantially reduced or eliminated the customers' taxable income.
65. In some cases, through the false or fabrication items discussed above, Washington claimed the Earned Income Tax Credit for otherwise ineligible customers.
66. As part of this scheme, Washington falsely stated that her customers were engaged in the business of "nails" or "catering."
67. For example, Washington prepared the 2003 through 2005 federal income tax returns of a Dallas couple (both employed as teachers), falsely stating that the wife had a "nails" business and that the husband a "hauling" business, and falsely claiming Schedule C losses of \$56,095; 51,397; and \$32,733, resulting in improper claims of earned income tax credit and tax refunds.
68. The wife signed an affidavit stating that "Ethel informed us that we could get a larger refund by placing these businesses on the return. The amounts claimed were typed in and prepared by Ethel. These amounts were adjusted

after the size of the return was looked at. Ethel informed us about how in cash only businesses there are no receipts for cash customers.”

69. In 2008, 485 federal income tax returns were prepared under Washington’s EFIN or social security number.

**C. LaTavia Glover.**

70. LaTavia Glover is Tina Preston’s daughter and prepared tax returns for The Preston Group from 1997 until 2007.

71. The returns Glover prepared for The Preston Group contained false or fabricated Schedule C businesses and expenses and false or fabricated Schedule A deductions that substantially reduced or eliminated the customers’ taxable income.

72. As part of this scheme, Glover prepared returns falsely stating that some of her customers were engaged in the business of “catering,” “janitorial,” and “student tutor.”

73. In some cases, through the false or fabricated items discussed above, Glover claimed the Earned Income Tax Credit for otherwise ineligible customers.

74. In one example, Glover prepared the 2006 return of a Dallas pharmacy technician, falsely claiming that this customer had a business as a “massage therapist” and falsely claiming a Schedule C loss of \$12,362, resulting in an improper earned income tax credit and a \$7,789 tax refund.

75. In an affidavit, this customer stated that when she went to have her 2006

federal income tax return prepared, she told Glover that she had finished relaxation therapy school.

76. When she later checked her tax return after it was filed, this customer discovered that Glover has listed her as a massage therapist even though “I am not a massage therapist.”

**D. Tyrone Williams.**

77. Tyrone Williams began preparing returns for The Preston Group in December of 2005.
78. The returns Williams prepared for The Preston Group contained false or fabricated Schedule C businesses and expenses and false or fabricated Schedule A deductions that substantially reduced or eliminated the customers’ taxable income.
79. In some cases, through the false or fabricated items discussed above, Williams claimed the Earned Income Tax Credit for otherwise ineligible customers.
80. In one example, Williams prepared the 2005 return of a Euless, Texas sales manager falsely claiming that this customer had a business known as “Apartments Online” and falsely claiming a Schedule C loss of \$38,288, resulting in an improper earned income tax credit and a \$16,890 tax refund.
81. In an affidavit submitted to the IRS, this customer stated that when she had her 2005 return prepared, she sat down with the preparer and he “told me

what to write on the Schedule C.”

82. In the same affidavit, this customer stated that for her 2006 tax return, which falsely claimed a Schedule C loss of \$60,066, the only documents she dropped off were her W-2 form and, in “regards to the Schedule C, I’m not sure where those numbers came from [because] it was filled out and I just signed the forms.”

**E. Gayla Oladele.**

83. Gayla Oladele prepared returns for The Preston Group from 2004 to 2007.
84. The returns Oladele prepared for The Preston Group contained false or fabricated Schedule C businesses and expenses and false or fabricated Schedule A deductions that substantially reduced or eliminated the customers’ taxable income.
85. In some cases, through the false or fabrication items discussed above, Oladele claimed the Earned Income Tax Credit for otherwise ineligible customers.
86. In one example, Oladele prepared the 2006 return of a Cedar Hills, Texas technician who occasionally braids hair, falsely claiming that this customer had a hair-styling business and a \$12,738 Schedule C loss, resulting in an improper earned income tax credit and \$7,253 tax refund.
87. In an affidavit, this customer stated Odalele came up with the Schedule C business figures and she wrote down what Odalele told her to write down.

**E. Jason Jeroski.**

88. Jason Jeroski began preparing returns for The Preston Group in 2006, and, on information and belief, is currently employed by The Preston Group.
89. The returns Jeroski prepared for the Preston Group contained false or fabricated Schedule C businesses and expenses and false or fabricated Schedule A deductions that substantially reduced or eliminated the customers' taxable income.
90. In some cases, through the false or fabrication items discussed above, Jeroski improperly claimed the Earned Income Tax Credit for otherwise ineligible customers.
91. In one example, Jeroski prepared the 2006 return of a Dallas health-care worker falsely claiming that this customer had a babysitting business and falsely claiming a Schedule C loss for that business of \$8,404, resulting in a claimed \$800 tax refund.
92. Jeroski prepared this false return even though the customer had left blank a form entitled "Self-Employment Profit and Loss Summary."
93. In an affidavit, this customer stated that after she told Jeroski that she did some babysitting for her sister, "he didn't ask me how much she pays me" and that he did not ask her whether the numbers on the return were correct.
94. In the same affidavit, this customer stated she did not know of the false Schedule C babysitting business until she met with the IRS and saw her

return: “The numbers that I saw today on the return that he did, I was not aware of these numbers and did not provide those numbers for him because he did not [ask] me how much I was getting for babysitting.”

95. Jeroski was the return preparer for the false tax return prepared by The Preston Group in 2008 for the customer referenced above in

¶ 55.

### **Count I**

#### **Injunction under 26 U.S.C. § 7408 for Violation of 26 U.S.C. § 6701**

96. The United States incorporates by reference the allegations in paragraphs 1 through 95.

97. Section 7408 of 26 U.S.C. authorizes a court to enjoin persons who have engaged in conduct subject to penalty under 26 U.S.C. § 6701 from engaging in further such conduct. Section 6701 imposes a penalty on any person who aids in the preparation of any portion of a return or other document, who knows the portion or document will be used in connection with any material matter under the internal revenue laws, and who knows the portion or document (if so used) would result in understating another person’s tax liability.

98. The defendants have prepared tax returns and assisted in preparing tax returns and other documents for customers that were intended to be used (and were in fact used) in connection with material matters arising under the internal revenue laws.

99. The defendants knew that these returns and other documents (if so used)



would result in understatements of customers' tax liabilities. The defendants have thus engaged in conduct subject to penalty under 26 U.S.C. § 6701.

## Count II

### Return-preparer injunction under 26 U.S.C. § 7407

100. The United States incorporates by reference the allegations in paragraphs 1 through 99.

101. 26 U.S.C. § 7407 authorizes a court to enjoin a tax preparer who has, among other things,

1. engaged in conduct subject to penalty under 26 U.S.C. § 6694 (which penalizes a return preparer who prepares or submits a return that contains an unrealistic position), or 26 U.S.C. § 6695(g) (which penalizes return preparers who fail to exercise due diligence in determining eligibility for the Earned Income Tax Credit), or
2. engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.

If the return preparer's misconduct is continual or repeated and the Court finds that a narrower injunction (*i.e.*, prohibiting only the specific enumerated conduct) would not be sufficient to prevent that person's interference with the proper administration of federal tax laws, the Court may enjoin the person from further acting as a return preparer.

102. The defendants have continually and repeatedly prepared or submitted federal tax returns that contain false and unrealistic positions, conduct that is subject to penalty under 26 U.S.C § 6694.

103. The defendants have continually and repeatedly failed to exercise due diligence in determining their customers' eligibility for the EITC, conduct that is subject

to penalty under 26 U.S.C. § 6695(g).

104. The defendants have continually and repeatedly engaged in fraudulent and deceptive conduct that interferes with the proper administration of the internal revenue laws.

### **Count III**

#### **(Unlawful Interference with the Enforcement of the Internal Revenue Laws)**

105. The United States incorporates by reference paragraphs 1 through 104.

106. Through the conduct described above, the defendants have engaged in conduct that substantially interferes with the enforcement of the internal revenue laws. Unless enjoined by this Court, the defendants are likely to continue to engage in such conduct. The defendants' conduct is causing irreparable injury to the United States, and the United States has no adequate remedy at law:

- a. The defendants' conduct, unless enjoined, is likely to cause a substantial loss of revenue to the United States Treasury. Unless they are enjoined the IRS will have to expend substantial time and resources to detect future customers' returns with substantial understatements, and may be unable to detect all of them.
- b. The detection and audit of bogus EITC refund claims filed by the defendants' customers will place a serious burden on the IRS's resources.
- c. If the defendants are not enjoined, they likely will continue to engage in conduct subject to penalty under 26 U.S.C. §§ 6694, 6695, and 6701 that substantially interferes with the enforcement of the internal revenue laws.

WHEREFORE, the plaintiff, United States of America, respectfully prays for the following:

- A. That the Court find that the defendants have engaged in repeated and continual

conduct subject to penalty under 26 U.S.C. §§ 6694 and 6695, and that injunctive relief is appropriate under 26 U.S.C. § 7407 to bar the defendants from acting as income-tax-return preparers;

B. That the Court find that the defendants 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 them from engaging in further such conduct;

C. That the Court find that the defendants engaged in conduct that interferes with the enforcement of the internal revenue laws and substantially interferes with the proper administration of the internal revenue laws, and that injunctive relief against them is appropriate to prevent the recurrence of that conduct pursuant to 26 U.S.C. §§ 7407 and 7402(a);

D. That the Court, under 26 U.S.C. § 7407, enter a permanent injunction prohibiting the defendants from acting as return preparers;

E. That the Court, under 26 U.S.C. §§ 7402, 7407 and 7408, enter a permanent injunction prohibiting the defendants and their representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with them, from directly or indirectly:

- (1) Further engaging in any conduct subject to penalty under 26 U.S.C. § 6694, *i.e.*, preparing any part of a return or claim for refund that includes an unrealistic position;
- (2) Further engaging in any conduct subject to penalty under 26 U.S.C. § 6695, *i.e.*, failing to exercise due diligence in preparing federal income tax returns seeking refunds under the Earned Income Tax Credit;
- (3) Further acting as federal-income-tax return preparers;

- (4) Further engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws; and
- (5) Further engaging in conduct subject to penalty under 26 U.S.C. § 6701, *i.e.*, assisting others in the preparation of any tax returns, forms, or other documents to be used in connection with any material matter arising under the internal revenue laws and which they know will (if so used) result in the understatement of income tax liability; and

F. That the Court, under 26 U.S.C. §§ 7402, 7407, and 7408, enter an injunction requiring the defendants to contact all persons and entities for whom they prepared any federal income tax returns or other tax-related documents after January 1, 2005, and inform those persons of the entry of the Court's findings concerning the falsity of representations made by the defendants on their customers' tax returns, and that a permanent injunction has been entered against the defendants.

G. That this Court, under 26 §§ 7402, 7207, and 7408, enter an injunction requiring defendants to turn over to the United States a complete list of all persons for whom defendants have prepared (or helped to prepare) any federal tax return, amended return, or refund claim since January 1, 2005, such list to include for each such person the name, address, phone number, e-mail address, social security number or employer identification number, and the tax period(s) to which or for which such return, amended return, or refund claim relates. The list shall include all customers whose returns defendants helped to prepare, even if those returns were filed listing someone else as preparer or listing someone else's social security or employer identification number as preparer, or listing someone else's electronic filing number.

H. That this Court order that the United States is permitted to engage in post-judgment discovery to ensure compliance with the permanent injunction; and

I. That this Court grant the United States such other relief, including costs, as is just and equitable.

Dated: February 11, 2009.

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United States Attorney

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