

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

UNITED STATES OF AMERICA,)	
)	
Plaintiff,)	
)	
v.)	Case No. _____
)	
CHARLES B. EDEN, Individually and)	
d/b/a Eden Financial Services,)	
)	
Defendant.)	
_____)	

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

The plaintiff, the United States of America, complains and alleges against the defendant, Charles B. Eden, individually and doing business as Eden Financial Services, as follows:

1. This is a civil action brought by the United States pursuant to sections 7402(a) and 7407 of the Internal Revenue Code of 1986 (26 U.S.C.) (“IRC”) to restrain and enjoin the defendant, Charles B. Eden, and all those in active concert or participation with him from:

- (a) acting as a federal tax return preparer or requesting, assisting in or directing the preparation and/or filing of federal tax returns for any person or entity other than himself, or appearing as a representative on behalf of any person or organization whose tax liabilities is under examination or investigation by the Internal Revenue Service;
- (b) preparing or assisting in the preparation of tax returns that defendant knows will result in the understatement of any tax liability;
- (c) understating customers’ liabilities as prohibited by 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; and
- (f) engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

Jurisdiction

2. This action has been authorized and 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 of the United States, pursuant to the provisions of IRC §§ 7401 and 7408.

3. Jurisdiction is conferred upon this Court by Sections 1340 and 1345 of Title 28, United States Code, and IRC §§ 7402(a) and 7407.

Defendant

4. Defendant Charles B. Eden (“Eden”) resides at 2206 St. Louis Avenue, St. Louis, Missouri, and does business as Eden Financial Services, which has offices at 4144 Lindell, Suite 401, St. Louis, Missouri, all within this judicial district.

Defendant’s Activities

5. Eden, a truck driver and commercial tax return preparer operating under the business name of “Eden Financial Services,” has prepared at least 492 federal income tax returns since 1998.

The IRS has thus far audited 33 of those returns, and found that each return contained one or more bogus tax deductions.

6. On each tax return, Eden fabricated or grossly exaggerated the deductions claimed for charitable contributions, unreimbursed employee business expenses, Schedule C business losses and

rental property expenses despite the fact that his customers provided him with records showing the correct amount of those tax deductions, or that they were ineligible to claim them.

7. Twenty of the 33 Eden-prepared tax returns that the IRS has audited so far included a false Schedule C business loss; 12 of the 33 tax returns falsely reported a loss attributable to rental real estate on a Schedule E; and 27 of the 33 tax returns that Eden prepared fraudulently claimed tax deductions for charitable deductions that were never made or grossly inflated.

8. Eden first received authorization to electronically file (“e-file”) federal tax returns in January of 1997. His authority to e-file was suspended for two years (the 1998 and 1999 tax years) because he failed to file with the IRS the Forms 8453 that taxpayers and tax return preparers are required to sign when federal tax returns are electronically filed.

9. In December of 2000, Eden reapplied for e-filing authority and was reinstated in January of 2002 when he filed the delinquent Forms 8453 with the IRS. In November of 2002, Eden was once again suspended for failing to file Forms 8453. He was reinstated in January of 2003, and is currently authorized to electronically file tax returns.

10. On at least two occasions when he lacked authorization to e-file federal tax returns, Eden approached other commercial tax return preparers and persuaded them to electronically file federal income tax returns that he prepared for his customers. Those tax returns, which Eden prepared but did not sign as the tax return preparer, contain the same false tax deductions as those described in paragraphs 6 and 7, above.

Harm to the public

11. Eden's customers have been harmed because they have paid him fees to prepare tax returns that understate their correct federal income tax liabilities, thereby subjecting them to potential penalties.

12. Eden's preparation of false and fraudulent tax returns invariably resulted in his customers receiving substantial tax refunds to which they were not legally entitled. The average tax refund claimed on the 33 returns prepared by Eden was \$6,818.00.

13. The United States is harmed because Eden's customers are not reporting and paying their correct tax liabilities. The actual tax loss resulting from the 33 tax returns that were prepared by Eden and examined by the IRS is \$231,405.00. The average tax loss per tax return is \$7,012, and the projected total revenue loss for the 492 tax returns that Eden is known to have prepared for the 1998-2003 tax years is \$3,449,904.00.

14. The United States is also harmed because the IRS is forced to devote its limited resources to identifying and recovering those lost tax revenues from Eden's customers, thereby reducing the level of service that the IRS can give to honest taxpayers. Moreover, given the IRS's limited resources, identifying and recovering all revenues lost from Eden's preparation of false and fraudulent returns may be impossible.

15. In addition to the harm caused by Eden's preparation of tax returns that understate his customers' tax liabilities, Eden's activities undermine public confidence in the fairness of the federal tax system and encourage noncompliance with the internal revenue laws.

Count I

Injunction under IRC § 7407

16. The United States incorporates by reference the allegations in paragraphs 1 - 15.

17. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin an income tax preparer from:

- (a) engaging in conduct subject to penalty under IRC § 6694 (which penalizes a tax return preparer who prepares or submits a return that contains an unrealistic position);
- (b) engaging in conduct subject to penalty under IRC § 6695 (which penalizes a tax return preparer who fails to keep a list of clients or copies of tax returns and turn over the list or copies to the IRS upon request);
- (c) misrepresenting his experience or education as a tax return preparer; or
- (d) engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws,

if the court finds that injunctive relief is appropriate to prevent the recurrence of such conduct.

Additionally, if the court finds that a preparer has continually or repeatedly engaged in such conduct, and the court finds that a narrower injunction (*i.e.*, prohibiting only that specific enumerated conduct) would not be sufficient to prevent that person's interference with the proper administration of the internal revenue laws, the court may enjoin the person from further acting as a federal income tax return preparer.

18. Eden has prepared at least 33 Form 1040 income tax returns that claimed false or fraudulent deductions for charitable contributions, unreimbursed employee business expenses, Schedule C business losses and rental property expenses. In so doing, Eden understated his customers' federal tax liabilities and asserted positions which he knew or reasonably should have known were unrealistic under IRC § 6694.

19. Eden also engaged in fraudulent or deceptive conduct by arranging for other federal income tax return preparers to electronically sign and file Form 1040 tax returns on behalf of his customers during those periods when his authority to e-file federal tax returns was suspended by the IRS in violation of IRC § 6065 and Treas. Reg. 1.6695-1 (26 C.F.R.).

20. Eden's actions, as described above, fall within IRC §§ 7704(b)(1)(A) and (D), and are thus subject to being enjoined under IRC § 7407.

21. Because of his repeated and continual misconduct subject to injunction under IRC § 7407, Eden should be permanently enjoined from acting as a federal income tax return preparer.

Count II

Injunction under IRC § 7402(a) for unlawful interference with the enforcement of the internal revenue laws

22. The United States incorporates by reference the allegations of paragraphs 1 - 21.

23. Section 7402 of the Internal Revenue Code authorizes a court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

24. Eden, through his actions as described above, has engaged in conduct that substantially interferes with the enforcement of the internal revenue laws.

25. The federal income tax returns that Eden prepared for his customers improperly and illegally reduced their federal income, self-employment, and social security tax liabilities. Eden also violated the internal revenue laws and Treasury Regulations when he paid other tax return preparers to electronically sign and file federal tax returns that he had prepared.

26. If Eden is not enjoined from engaging in fraudulent and deceptive conduct, such as preparing false or fraudulent tax returns, or arranging for other tax return preparers to sign and file federal tax returns that he has prepared, the United States will suffer irreparable injury because the revenue losses caused by Eden will continue to increase.

27. While the United States will suffer irreparable injury if Eden is not enjoined, Eden will not be harmed by being compelled to obey the law.

28. The public interest would be advanced by enjoining Eden because an injunction will stop his illegal conduct and the harm the conduct is causing to the United States Treasury.

29. If Eden is not enjoined, he is likely to continue to interfere with the enforcement of the internal revenue laws.

WHEREFORE, the plaintiff, the United States of America, respectfully prays as follows:

A. That the Court find that Eden has continually and repeatedly engaged in conduct subject to penalty under IRC § 6694, and that injunctive relief under IRC § 7407 is necessary and appropriate to prevent the recurrence of that conduct;

B. That the Court, pursuant to IRC § 7407, enter a permanent injunction prohibiting Eden from acting as a federal income tax return preparer;

C. That the Court find that Eden has 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 IRC § 7402(a);

D. That the Court, pursuant to IRC § 7402(a), enter a permanent injunction prohibiting Eden from:

- (1) requesting, assisting in or directing the preparation and/or filing of federal tax returns for any person or entity other than himself, or appearing as a representative on behalf of any person or organization whose tax liabilities is under examination or investigation by the Internal Revenue Service;
- (2) preparing or assisting in the preparation of tax returns that defendant knows will result in the understatement of any tax liability;
- (3) understating customers' liabilities as prohibited by IRC § 6694;
- (4) engaging in any other activity subject to penalty under IRC §§ 6694; and
- (5) engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

E. That the Court, pursuant to IRC §§ 7402(a) and 7407, enter an injunction requiring Eden to contact by mail all persons for whom he prepared a federal tax return, 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 Eden;

F. That the Court, pursuant to IRC §§ 7402(a) and 7407, enter an injunction requiring Eden to produce to counsel for the United States within ten days a list that identifies by name, social security

number, address, e-mail address, telephone number and tax period(s) all persons for whom Eden prepared federal tax returns and/or claims for refund since January 1, 1997;

G. That the Court retain jurisdiction over the defendant, Charles B. Eden, individually and doing business as Eden Financial Services, and this action for the purpose of enforcing any permanent injunction entered against defendant;

H. That the United States be entitled to conduct all discovery permitted under the Federal Rules of Civil Procedure for the purpose of monitoring defendant's compliance with the terms of any permanent injunction entered against him; and

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

Dated this 2nd day of December, 2004.

JAMES G. MARTIN
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