

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF CONNECTICUT

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UNITED STATES OF AMERICA, )  
)  
Plaintiff, )  
)  
v. )  
DEOWRAJ BUDDHU, individually )  
and D/B/A/ Paradise Consulting, A/K/A )  
Phoenix Consulting, and )  
)  
SUNITA BUDDHU, individually and )  
D/B/A Paradise Consulting, A/K/A )  
Phoenix Consulting and D/B/A )  
Lotus Consulting, )  
)  
Defendants. )

Civil Action No.

**308CV00074 CFD**

**COMPLAINT FOR PERMANENT INJUNCTION**

This is a civil action brought by the United States to permanently enjoin defendants Deowraj Buddhu, individually and doing business as Paradise Consulting, (also known as Phoenix Consulting), and Sunita Buddhu, individually and doing business as Paradise Consulting, (also known as Phoenix Consulting), and Lotus Consulting, or through any other entity, and any other persons in active concert or participating with them from preparing federal income tax returns, amended federal income tax returns and other related documents and forms for others; representing customers before the IRS, advising, assisting, counseling, or instructing anyone about the preparation of a federal tax return; and from promoting tax-fraud schemes.

## **Jurisdiction**

1. 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, pursuant to 26 U.S.C. §§ 7402(a), 7407 and 7408.

2. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. §§ 7402(a), 7407, and 7408.

3. The defendants Deowraj Buddha and Sunita Buddha reside within the jurisdiction of this court.

## **Defendants' Activities**

4. Deowraj Buddha is Sunita Buddha's father. Both Mr. Buddha and Ms. Buddha prepare or assist in the preparation of federal income tax returns for other people for compensation.

5. Mr. Buddha and Ms. Buddha operated Paradise Consulting, also known as Phoenix Consulting, a tax return preparation business, at 958 Broad Street in Hartford, Connecticut.

6. On August 6, 2005, Mr. Buddha was incarcerated in the Willard Cybulski Correctional Institution in Enfield, Connecticut after pleading guilty to ten misdemeanor counts of larceny, forgery and conspiracy for selling fake documents to illegal immigrants.

7. After her father's incarceration in 2005, Ms. Buddha operated Lotus Consulting, a tax return preparation business at 257 Middletown Avenue in Wethersfield, Connecticut.

8. As of March 14, 2007, the Internal Revenue Service ("IRS") has determined that Mr. Buddha and/or Ms. Buddha prepared 722, 536, 880 and 482 tax returns for the years 2003, 2004, 2005 and 2006, respectively. These returns were filed listing Mr. Buddha as the paid preparer

with his social security number XXX-XX-XX27, or Ms. Buddhu as the paid preparer with her social security number XXX-XX-XX28, and Paradise Consulting as the name of the firm preparer with employer identification number XX-XXXXXX05, or Lotus Consulting as the name of the firm preparer with employer identification number XX-XXXXXX27. In addition, the IRS has determined that an additional 1848 returns were filed by Mr. Buddhu or Ms. Buddhu as the paid preparer for the tax periods 2004-2006 with a social security number that is not assigned to either Mr. Buddhu or Ms. Buddhu.<sup>1</sup>

9. The returns that Mr. Buddhu and/or Ms. Buddhu prepared for customers during the 2003, 2004, and 2005 tax years contained incorrect filing statuses, incorrect exemptions, overstated Schedule A deductions, deductions for tuition and fees to which the taxpayers were not entitled; false employee business expenses, and false Schedules C and E amounts.

10. Despite being advised on December 1, 2006, that she was under investigation by the Criminal Investigation Division of the IRS with regards to the aiding and assisting in the preparation of false income tax returns for the years 2003, 2004, and 2005, Ms. Buddhu continued to prepare income tax returns claiming false deductions.

11. After the IRS began examining federal tax returns prepared by Paradise for the years 2003, 2004, and 2005, and determined that many of these returns contained false business losses reported on Schedule C, Ms. Buddhu began preparing and filing Form 1040X Amended Individual Income Tax Returns, on behalf of many of those clients whose original federal income tax returns had been examined by the IRS. Ms. Buddhu submitted these amended federal income

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<sup>1</sup> This number, XXX-XX-2238, is an invalid social security number. The number, XX-XXX2238, when converted to an employer identification number, is assigned to a restaurant.

tax returns eliminating the Schedule C business losses and replaced the previously disallowed Schedule C losses with corresponding amounts for employee business expenses on Schedule A. Some of these Forms 1040X have been examined by the IRS and the employee business expenses reported on Schedule A have been found to be false and disallowed.

12. Ms. Buddha has also filed amended federal income tax returns for many of the clients new to her practice in 2006. Ms. Buddha has prepared Forms 1040X for tax years 2004 and 2005, for these new clients. Based on interviews with some of these clients, the IRS has determined that Ms. Buddha advised the clients that amended tax returns needed to be filed because the clients had expenses that they were entitled to deduct in those tax years that were not reported by their previous tax return preparer. The IRS had examined some of these amended tax returns for the tax years 2004 and 2005, and determined that the expenses reported on those Forms 1040X are not valid deductions.

13. Mr. Buddha's and Ms. Buddha's actions cause harm to the United States and to the public.

14. The IRS has issued erroneous refunds based on fraudulent returns prepared by Mr. Buddha and Ms. Buddha and has then had to audit Mr. Buddha's and Ms. Buddha's customers and take collection action to attempt to recoup the money.

15. The IRS has spent considerable time and resources auditing returns prepared by Mr. Buddha and Ms. Buddha and collecting the taxes owed and erroneous refunds paid.

16. Mr. Buddha and Ms. Buddha have also harmed their customers because the customers pay them to prepare these returns, and, after the fraud is detected, are responsible for paying all taxes, interest, and penalties.

**Count I:**  
**Injunction under 26 U.S.C. § 7408 for Violation of 26 U.S.C. § 6701**

17. The United States incorporates by reference the allegations in paragraphs 1 through 16.

18. A court is authorized to issue an injunction if an income tax preparer engages in conduct subject to penalty under 26 U.S.C. § 6701, pursuant to 26 U.S.C. § 7408.

19. Section 6701 penalizes any person (1) who aids or assists in, procures, or advises with respect to, the preparation or presentation of any portion of a return, affidavit, claim or other document; (2) who knows (or has reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws; and (3) who knows that such portion (if so used) would result in an understatement of the liability for tax of another person.

20. Mr. Buddhu and Ms. Buddhu prepared or assisted in the preparation of federal income tax returns for their customers.

21. Mr. Buddhu and Ms. Buddhu knew or had reason to believe that these income tax returns would be filed with the IRS and thus would be used in connection with a material matter arising under the internal revenue laws.

22. Mr. Buddhu and Ms. Buddhu knew that the federal tax returns they prepared would result in understatements of other persons' tax liabilities.

23. If Mr. Buddhu and Ms. Buddhu are not enjoined, they are is likely to continue to engage in conduct which violates § 6701.

**Count II:**

**Injunction under 26 U.S.C. § 7407 for Violation of 26 U.S.C. §§ 6694 and 6695**

24. The United States incorporates by reference the allegations in paragraphs 1 through 23.

25. A court is authorized to issue an injunction if an income tax return preparer engages in conduct subject to penalty under 26 U.S.C. § 6694 or § 6695, pursuant to 26 U.S.C. § 7407.

26. Section 6694(a) penalizes a tax return preparer if (1) the preparer prepares a return or claim for refund that includes an understatement of liability due to a position for which there is not a realistic possibility of being sustained on the merits; (2) the preparer knew (or reasonably should have known) of such position; and (3) the position was not disclosed in accordance with § 6662(d)(2)(B)(ii) or was frivolous.

27. Section 6694(b) penalizes a tax return preparer who prepares a return or claim with an understatement of liability (1) in a willful attempt to understate the liability or (2) with a reckless and intentional disregard of rules or regulations.

28. Mr. Buddha's and Ms. Buddha's conduct as described above is subject to penalty under §§ 6694(a) and 6694(b).

29. Both Mr. Buddha and Ms. Buddha have prepared income tax returns that include understatements of their customers' liability which had no realistic possibility of being sustained on the merits; Mr. Buddha and Ms. Buddha knew or reasonably should have known about these understatements; Mr. Buddha and Ms. Buddha did not disclose them in accordance with 26 U.S.C. § 6662(d)(2)(B)(ii); and such understatements are frivolous. Mr. Buddha and Ms. Buddha has thus engaged in conduct subject to penalty under § 6694(a).

30. Both Mr. Buddhu and Ms. Buddhu prepare returns for customers with false entries in a willful attempt to understate the customers' liability or with a reckless and intentional disregard of rules and regulations. Mr. Buddhu and Ms. Buddhu have thus engaged in conduct subject to penalty under § 6694(b).

31. Mr. Buddhu and Ms. Buddhu failed to furnish their correct identifying number for purposes of providing proper identification of the tax return prepared as prescribed by 26 U.S.C. § 6109(a)(4). Mr. Buddhu and Ms. Buddhu have thus engaged in conduct subject to penalty under § 6695(c).

32. Mr. Buddhu and Ms. Buddhu have continually and repeatedly engaged in conduct that violates §§ 6694 and 6695. An injunction merely prohibiting Mr. Buddhu and Ms. Buddhu from engaging in conduct subject to penalty under §§ 6694 and 6695 would not be sufficient to prevent their interference with the proper administration of the tax laws. Accordingly, Mr. Buddhu and Ms. Buddhu should be permanently enjoined from acting as income tax return preparers.

**Count IV:  
Injunction under I.R.C. § 7402(a) for Unlawful Interference  
with Enforcement of the Internal Revenue Laws  
and Appropriateness of Injunctive Relief**

33. The United States incorporates by reference the allegations in paragraphs 1 through 32.

34. A court is authorized to issue orders of injunction as may be necessary or appropriate to enforce the internal revenue laws, pursuant to 26 U.S.C. § 7402(a).

35. Section § 7402(a) expressly provides that its injunction remedy is “in addition to and not exclusive of” other remedies for enforcing the internal revenue laws.

36. Mr. Buddhu and Ms. Buddhu, through the actions described above, have engaged in conduct that interferes substantially with the enforcement of the internal revenue laws.

37. Mr. Buddhu’s and Ms. Buddhu’s conduct causes irreparable harm to the United States and to their customers.

38. Mr. Buddhu and Ms. Buddhu are causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may be unrecoverable.

39. If Mr. Buddhu and Ms. Buddhu are not enjoined, they are likely to continue to engage in conduct that interferes with the enforcement of the internal revenue laws.

40. The United States will suffer irreparable injury if Mr. Buddhu and Ms. Buddhu are not enjoined. This outweighs the harm to Mr. Buddhu and Ms. Buddhu from being enjoined from return-preparation and violating tax laws.

41. The public interest would be advanced by enjoining Mr. Buddhu and Ms. Buddhu because an injunction will stop their illegal conduct and the harm that conduct is causing to the United States Treasury.

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

A. That the Court find that Mr. Buddhu and Ms. Buddhu have engaged in conduct subject to penalty under 26 U.S.C. § 6701, and that injunctive relief under 26 U.S.C. § 7408 is appropriate to prevent a recurrence of that conduct;

B. That the Court find that Mr. Buddhu and Ms. Buddhu have continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 and 6695, and that, pursuant to



26 U.S.C. § 7407, an injunction prohibiting such conduct would not be sufficient to prevent Mr. Buddhu's and Ms. Buddhu's interference with the proper administration of the tax laws and that Mr. Buddhu and Ms. Buddhu should be enjoined from acting as income tax return preparers;

C. That the Court find that Mr. Buddhu and Ms. Buddhu are interfering with the enforcement of the internal revenue laws and that injunctive relief is appropriate to prevent the recurrence of that conduct pursuant to 26 U.S.C. § 7402(a) and the Court's inherent equity powers;

D. That this Court, pursuant to 26 U.S.C. § 7408, enter a permanent injunction prohibiting Mr. Buddhu, individually and doing business as Paradise Consulting, (also known as Phoenix Consulting), and Ms. Buddhu, individually and doing business as Paradise Consulting, (also known as Phoenix Consulting), and Lotus Consulting, or under any other name or using any other entity, and their representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with them, from directly or indirectly:

1. Engaging in activity subject to penalty under 26 U.S.C. § 6701, including aiding or assisting in, procuring, or advising with respect to, the preparation or presentation of any portion of a return, affidavit, claim or other document; knowing (or having reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws; and knowing that such portion (if so used) would result in an understatement of the liability for tax of another person; and
2. Engaging in any other activity subject to penalty under 26 U.S.C. § 6701 or any other provisions of the Internal Revenue Code.

E. That this Court, pursuant to 26 U.S.C. § 7407, enter a permanent injunction prohibiting Mr. Buddhu, individually and doing business as Paradise Consulting, (also known as Phoenix Consulting), and Ms. Buddhu, individually and doing business as Paradise Consulting,

(also known as Phoenix Consulting), and Lotus Consulting, or under any other name or using any other entity, and their representatives, agents, servants, employees, attorneys, and all persons in active concert or participation with them, from directly or indirectly acting as a federal income tax return preparer;

F. That this Court, pursuant to 26 U.S.C. § 7402(a), enter a permanent injunction prohibiting Mr. Buddhu, individually and doing business as Paradise Consulting, (also known as Phoenix Consulting), and Ms. Buddhu, individually and doing business as Paradise Consulting, (also known as Phoenix Consulting), and Lotus Consulting, or under any other name or using any other entity, and their representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with them, from directly or indirectly:

1. Preparing or assisting in the preparation of any federal tax return for anyone other than themselves;
2. Advising, counseling, or instructing anyone about the preparation of a federal tax return;
3. Owning, managing, controlling, working for, or volunteering for a tax-return-preparation business;
4. Representing customers in connection with any matter before the IRS; and
5. Engaging in other similar conduct that substantially interferes with the administration and enforcement of the internal revenue laws.

G. That this Court, pursuant to 26 U.S.C. § 7402(a), require Mr. Buddhu and Ms. Buddhu at their own expense to contact by mail all customers for whom they have prepared federal tax returns or assisted in preparing tax returns, and send them a copy of this Complaint and the permanent injunction order, and to certify to the Court within eleven days of entry of the permanent injunction that they have complied with this provision;

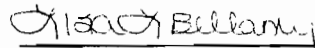
H. That this Court require Mr. Buddhu and Ms. Buddhu to provide the United States with a list of everyone for whom they have prepared (or helped to prepare) a federal tax return for the years 2003-2006 and set forth on said list all of the names, addresses, e-mail addresses, telephone numbers, and social security numbers of the customers.

I. That this Court permit the United States to conduct post-judgment discovery to ensure Mr. Buddhu's and Ms. Buddhu's compliance with the permanent injunction; and

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

Respectfully submitted,

KEVIN J. O'CONNOR  
United States Attorney



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