

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF MISSISSIPPI

UNITED STATES OF AMERICA,

Case No. 3:16cv 252DPJ-FKB

Plaintiff,

v.

CHRISTOPHER CHAMBERLIN individually  
and doing business as C&T SERVICES, LLC,

Defendant.

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**COMPLAINT FOR PERMANENT INJUNCTION**

The plaintiff, the United States of America, alleges as follows for its complaint to enjoin Christopher Chamberlin, individually and doing business as C&T Services, LLC ("C&T Services"), from preparing tax returns in violation of the internal revenue laws.

1. The United States of America seeks to permanently enjoin Christopher Chamberlin from:
  - (a) preparing, filing, or assisting in the preparation or filing of, or directing the preparation or filing of, federal tax returns, amended returns, or other tax-related documents and forms, including any electronically-submitted tax returns or tax-related documents, for any entity or person other than Chamberlin;
  - (b) preparing, filing, or assisting in the preparation or filing of, or directing the preparation or filing of, federal tax returns or amended returns that he knows will result in an understatement of tax liability or the overstatement of federal tax refunds;
  - (c) engaging in activity subject to penalty under 26 U.S.C. §§ 6694 and 6695; and

(d) engaging in conduct that substantially interferes with the proper administration and enforcement of the tax laws.

2. This action is authorized and requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury of the United States, and is commenced at the direction of the Attorney General of the United States, pursuant to 26 U.S.C. §§ 7401 and 7407.

### **Jurisdiction and Venue**

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

4. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) and 26 U.S.C. § 7407(a) because defendant Christopher Chamberlin resides and has his principal place of business within this judicial district, Chamberlin prepares tax returns within this judicial district, and a substantial part of the events giving rise to these claims occurred within this judicial district.

### **Parties**

5. Defendant Christopher Chamberlin prepares federal tax returns and other-tax-related forms for compensation in and around Mississippi.

6. Chamberlin resides in Bailey, Mississippi and is the sole proprietor of C&T Services, LLC, a Mississippi limited liability company with its principal place of business located in De Kalb, Mississippi.

7. Chamberlin has been preparing tax returns for customers since 1999 and through C&T Services since 2005. Chamberlin is not an enrolled agent allowed to practice before the Internal Revenue Service and does not represent customers before the IRS.

**Summary of Chamberlin's Activities**

8. Chamberlin and C&T Services prepare on average over 1,000 tax returns each filing season.

9. As a paid preparer, Chamberlin obtained from the IRS a Personal Tax Identification Number ("PTIN") of PXXXXX4321. Additionally, for C&T Services, Chamberlin obtained an Electronic Filing Information Number ("EFIN") of EXXXXXX3953. Each C&T Services employee also has a PTIN which they use to sign the returns that they prepare. All returns are filed using C&T Services' EFIN. Chamberlin also used his social security number ending in XXXXX7861 on returns that he prepared.

10. Chamberlin's customers are typically asked to fill out information sheets providing their name, address, telephone number, date of birth, social security number, filing status, dependent information and other documents regarding income and expenses for customers who operate a business. Customers also provide such tax information as IRS Form W-2 Wage and Tax Statements, IRS Form 1099-Miscellaneous Income and other relevant documents to Chamberlin and C&T Services to prepare their returns.

11. For the tax years 2010 through 2012 (processing years 2011 through 2013), Chamberlin and C&T Services prepared and e-filed approximately 4,006 individual federal tax returns cumulatively on behalf of customers including: (a) 1,453 personal returns for tax year 2010; (b) 1,245 personal returns for tax year 2011; and (c) 1,308 personal returns for tax year 2012. In addition, Chamberlin personally prepared and e-filed 219 tax returns with the IRS for tax year 2013 (processing year 2014) and 185 returns for tax year 2014 (processing year 2015) on behalf of customers.

12. The returns Chamberlin prepared and filed with the IRS for tax years 2010 to 2014 routinely included (1) fictitious Schedule C - Form 1040 Profit or Loss from Business for Sole Proprietorship ("Schedule C") and/or Schedule F - Form 1040 Profit or Loss from Farming ("Schedule F") businesses or (2) Schedules C and/or Schedules F with fictitious and/or exaggerated expenses so that losses were claimed on those Schedules C and F.

13. The Earned Income Tax Credit ("EITC") is a refundable tax credit for working people with low to moderate income. To qualify for the EITC, a taxpayer must have earned income from working for someone or from running or owning a business or farm and meet basic rules set forth by the IRS. Additionally, the taxpayer must either meet additional rules for workers without a qualifying child or have a child that meets all the qualifying child rules for that taxpayer.

14. The fictitious and/or exaggerated losses and expenses Chamberlin reported on Schedules C's filed with the IRS were made to generate and/or increase the EITC and/or create or increase refunds that were not warranted from the IRS.

15. The fictitious and/or exaggerated losses and expenses Chamberlin reported on customers' Schedules F's filed with the IRS were made to generate and/or increase the EITC and/or create or increase refunds that were not warranted from the IRS.

16. In interviews with IRS investigators, customers of Chamberlin whose returns claimed fictitious and/or exaggerated Schedule C and and/or Schedule F losses and expenses on their returns stated that they did not provide Chamberlin with false or fictitious information. According to the customers, they were unaware of the fictitious and/or exaggerated losses and

expenses reported on the Schedules C and Schedules F, and did not ask Chamberlin to claim those losses and expenses on their returns.

17. Of the approximately 4,006 returns prepared by Chamberlin for tax years 2010 through 2012, approximately 98 percent of these returns included a claim for refund and approximately 72 percent of the refunds claimed the EITC.

18. Of the 219 returns prepared by Chamberlin individually for tax year 2013, 64 percent of these returns included a fictitious and/or exaggerated Schedule C or Schedule F loss. Additionally, 54 percent claimed the EITC and 99 percent included a claim for refund.

19. Of the 185 returns Chamberlin prepared for tax year 2014, 30 percent of these returns reported Schedule C losses and 29 percent reported Schedule F losses. Additionally, 54 percent of the 185 returns claimed the EITC and 94 percent included a claim for refund.

20. The harm to the United States as a result of Chamberlin's false filings is significant. The IRS randomly selected 15 percent of the returns Chamberlin prepared for tax years 2009 through 2011 for examination and adjusted approximately 77 percent of those returns, resulting in an average deficiency of \$3,417 per return. Using this figure and accounting for the percentage of returns not adjusted, or 23 percent, the average deficiency per return is \$2,631. Applying this amount to the returns Chamberlin individually prepared for tax years 2012 and 2013, the tax harm to the Government is approximately \$576,189 (219 x \$2,631) for tax year 2013 and \$494,628 (188 x \$2,631) for tax year 2012, representing a combined tax harm of \$1,070,817 just for those two years.

**Specific Allegations Regarding Chamberlin's Conduct**

21. The returns described below demonstrate the schemes employed by Chamberlin to generate the EITC and create and/or maximize refunds by overstating and/or fabricating losses and expenses. To protect taxpayer privacy, the specific customers are referred to as Customers 1-10.

**Tax Return Prepared on Behalf of Customer 1**

22. Customer 1 operates a lawn service business and services 10 to 15 lawns per year. In connection with his lawn service business, Customer 1 owns a riding mower, push mower, edge clippers, edgers and weed eaters. Customer 1 also works part time for two different employers.

23. In 2013, Customer 1 received W-2 income from two employers. Customer 1 could not recall how much he made from the lawn service business in 2013 and did not receive any Forms 1099 for the business that year.

24. Chamberlin prepared and e-filed a Form 1040 individual tax return on Customer 1's behalf for tax year 2013. Customer 1 provided his Forms W-2, social security cards and school records for his daughter and niece, whom he claims as dependents, in support of the return. Customer 1 received a copy of the return from Chamberlin.

25. Chamberlin filed a Schedule C on Customer 1's behalf for tax year 2013 which falsely reported a business loss of \$20,921. The Schedule C also reported the following fictitious expenses: (i) Contract labor of \$1,680; (ii) Insurance of \$3,927; (iii) Mortgage Interest of \$6,031; (iv) Repairs and Maintenance of \$1,650; (v) Supplies of \$3,320; (vi) Taxes and licenses of \$1,276; and (vii) Utilities of \$5,987.

26. Customer 1 did not incur the expenses reported on the 2013 Schedule C and did not tell Chamberlin that he incurred those expenses. Customer 1 does not know where Chamberlin obtained the fictitious amounts Chamberlin reported on the 2013 Schedule C and did not advise Chamberlin to claim those expenses on his behalf. Additionally, Chamberlin did not ask Customer 1 about the expenses reported on Customer 1's 2013 Schedule C.

27. The false expenses and false business loss Chamberlin reported on Customer 1's 2013 Schedule C resulted in an IRS audit adjustment to income of \$18,901 to Customer 1's return for tax year 2013. As a result of the false expenses and false business loss Chamberlin reported on Customer 1's 2013 Schedule C, Customer 1's return did not show the tax liability he otherwise would have shown and claimed a refund of \$8,200 for tax year 2013 that he was not entitled to.

Tax Returns Prepared on Behalf of Customer 2 and Customer 3

28. Customer 2 and Customer 3 are married and own two rental houses which they rented for \$550 per month and \$450 per month respectively in 2013. Customer 2 and Customer 3 grow crops for personal use but do not own and operate a farm for profit. Customer 2 received W-2 wages, rental income, pension income and social security income in 2013.

29. Chamberlin prepared and e-filed a Form 1040 joint tax return on Customer 2's and Customer 3's behalf for tax year 2013. Customer 2 and Customer 3 provided Forms W-2, Forms 1099's, a list of medicines, cell phone bills, disability social security income, rental property income and related expenses in support of the return. Customer 2 and Customer 3 received a copy of the return.

30. Chamberlin filed a Schedule F on Customer 2's and Customer 3's behalf for 2013 which falsely reported a net farm loss of \$13,201. The Schedule F also included the following fictitious expenses: (i) Seeds and plants of \$1,664; (ii) Supplies of \$2,356; (iii) Utilities of \$6,859; (iv) Fertilizers and lime of \$988; and (v) Gasoline, fuel and oil of \$1,334.

31. Customer 2 and Customer 3 did not incur the expenses reported on the 2013 Schedule F and did not tell Chamberlin that they incurred those expenses. Customer 2 and Customer 3 do not know where Chamberlin obtained the fictitious amounts Chamberlin reported on the 2013 Schedule F and did not advise Chamberlin to claim those expenses on their behalf.

32. The false expenses and false farm loss Chamberlin reported on Customer 2's and Customer 3's 2013 Schedule F resulted in an IRS audit adjustment to income of \$20,557 to Customer 2's and Customer 3's return for tax year 2013, reducing Customer 2's and Customer 3's tax liability for 2013 to zero.

#### Tax Return Prepared on Behalf of Customer 4 and Customer 5

33. Customer 4 and Customer 5 are married and grow vegetables for personal use and purchase seed and fertilizers for their vegetables. Customer 4 and Customer 5 have given away vegetables but do not own and operate a farm for profit.

34. In 2013, Customer 4 and Customer 5 received Form W-2 income. Customer 4 also received unemployment compensation from the State of Mississippi.

35. Chamberlin prepared and e-filed a Form 1040 joint tax return on Customer 4's and Customer 5's behalf for tax year 2013. Customer 4 and Customer 5 provided their Forms W-2's and information regarding insurance and property taxes to Chamberlin in support of the return. Customer 4 and Customer 5 received a copy of the return.



36. Chamberlin filed a Schedule F on Customer 4's and Customer 5's behalf for 2013 which falsely reported a net farm loss of \$23,712. The 2013 Schedule F also included the following fictitious expenses: (i) Repairs and maintenance of \$4,355; (ii) Seeds and plants of \$968; (iii) Supplies of \$2,430; (iv) Utilities of \$5,365; (v) Building of \$3,522; (vi) Fertilizers and lime of \$655; (vii) Insurance of \$2,917; and (viii) Labor hired of \$3,500.

37. Customer 4 and Customer 5 did not incur the expenses reported on the 2013 Schedule F and did not tell Chamberlin that they incurred those expenses. Customer 4 and Customer 5 do not know where Chamberlin obtained the fictitious amounts reported on the 2013 Schedule F and did not advise Chamberlin to claim those expenses on their behalf. Customer 4 and Customer 5 also told the IRS that they were not aware that Chamberlin had claimed those expenses on the 2013 Schedule F.

38. The false expenses and false farm loss Chamberlin reported on Customer 4's and Customer 5's 2013 Schedule F resulted in an IRS audit adjustment to income of \$23,712 to Customer 4's and Customer 5's return for tax year 2013. As a result of the false expenses and false farm loss Chamberlin reported on Customer 4's and Customer 5's 2013 Schedule F, Customer 4's and Customer 5's return did not show the tax liability they otherwise would have shown and claimed a refund of \$1,033 for tax year 2013 that they were not entitled to.

Tax Return Prepared on Behalf of Customer 6

39. Customer 6 does not operate a farm for profit but has owned a farm since 1984. Customer 6 inherited his father's cows when his father died. He considers the cows as pets and breeds and sells them as a hobby. Customer 6 also owns bulls and a horse that he treats like pets.

Customer 6 grows hays for the cows and buys fertilizer for the animals. Customer 6 also owns a shed with no electricity for these animals.

40. In 2013, Customer 6 received Form W-2 and Form 1099 income as well as a Form 1099-SA- Distributions from an HSA, Archer MSA, or Medicare Advantage MSA.

41. In 2013, Customer 6 purchased 2 bulls at \$1200 and \$1,500, respectively, and 3 heifers at \$600 each. He also paid \$2,000 for the installation of a fence on his property and \$2,000 cash to help feed the cows and mend the fences. Customer 6 also purchased a tractor in 2013.

42. Chamberlin prepared and e-filed a Form 1040 individual tax return on Customer 6's behalf for tax year 2013. Customer 6 provided Chamberlin with his Form W-2, Forms 1099's and farm expenses and receipts in support of the return. Customer 6 received a copy of the return.

43. Chamberlin filed a Schedule F on Customer 6's behalf for 2013 which falsely reported a net farm loss of \$52,201. The 2013 Schedule F also included the following fictitious expenses: (i) Other (land, animals, etc.) of \$2,400; (ii) Repairs and maintenance of \$742; (iii) Supplies of \$1,385; (iv) Taxes of \$357; (v) Utilities of \$3,567; (vi) "DIVIDED MONEY WITH 2" of \$33,000; (vii) "BOUGHT 10 MORE CATT" of \$10,000; (viii) Feed of \$2,500; (ix) Gasoline, fuel and oil of \$515; and (x) Insurance of \$1,480.

44. Customer 6 did not incur the expenses reported on the 2013 Schedule F and did not tell Chamberlin that he incurred those expenses. Customer 6 does not know where Chamberlin obtained the fictitious amounts reported on the Schedule F for 2013 and did not advise Chamberlin to claim those expenses on his behalf. Customer 6 also told the IRS that he

was not asked about those expenses. Additionally, Customer 6 was not entitled to claim any of the expenses described in paragraph 41 above on the 2013 Schedule F because he did not operate a farm for profit in 2013.

45. The false expenses and false farm loss Chamberlin reported on Customer 6's 2013 Schedule F resulted in an IRS audit adjustment to income of \$52,201 to Customer 6's return for tax year 2013. As a result of the false expenses and false farm loss Chamberlin reported on Customer 6's 2013 Schedule F, Customer 6's return did not show the tax liability he otherwise would have shown and claimed a refund of \$10,596 for tax year 2013 that he was not entitled to.

Tax Return Prepared on Behalf of Customer 7

46. Customer 7 owns one acre of land and grows a garden for personal use. Customer 7 does not own and operate a farm for profit.

47. For tax year 2013, Customer 7 received Form W-2 and Form 1099 income as well as unemployment compensation.

48. Chamberlin prepared and e-filed a Form 1040 individual return on Customer 7's behalf for tax year 2013. Customer 7 provided her Form W-2, Forms 1099 and information regarding her child whom she claimed as a dependent in support of the return. Customer 7 received a copy of the return.

49. Chamberlin filed a Schedule F on Customer 7's behalf for 2013 which falsely reported a net farm loss of \$32,465. The 2013 Schedule F also included the following fictitious expenses: (i) Repairs and maintenance of \$1,000; (ii) Supplies of \$1,465; and (iii) "DIVIDED MONEY WITH 6" of \$30,000.

50. Customer 7 did not incur the expenses reported on the 2013 Schedule F and did not tell Chamberlin that she incurred those expenses. Customer 7 does not know where Chamberlin obtained the fictitious amounts reported on the 2013 Schedule F and did not advise Chamberlin to claim those expenses on her behalf.

51. The false expenses and false farm loss Chamberlin reported on Customer 7's 2013 Schedule F resulted in an IRS audit adjustment to income of \$32,465 to Customer 7's return for tax year 2013. As a result of the false expenses and false farm loss Chamberlin reported on Customer 7's 2013 Schedule F, Customer 7's return did not show the tax liability she otherwise would have shown and claimed a refund of \$10,858 for tax year 2013 that she was not entitled to.

Tax Return Prepared on Behalf of Customer 8

52. Customer 8's wife tends a garden which the family uses for personal consumption. Customer 8 has never owned and operated a farm for profit.

53. For tax year 2013, Customer 8 received Form W-2 income. Customer 8 did not have any Form 1099 income or other income for that year.

54. Chamberlin prepared and e-filed a Form 1040 individual return on Customer 8's behalf for tax year 2013. Customer 8 provided Chamberlin with his Form W-2 and information regarding his dependent in support of the return.

55. Chamberlin filed a Schedule F on Customer 8's behalf for 2013 which falsely reported a net farm loss of \$18,791. The 2013 Schedule F also included the following fictitious expenses: (i) Repairs and maintenance of \$3,360; (ii) Seeds and plants of \$987; (iii) Taxes of

651; (iv) Utilities of \$4,587; (v) TIT of \$4,897; (vi) Feed of \$2,144; and (vii) Insurance of \$2,165.

56. Customer 8 did not incur the expenses reported on the 2013 Schedule F and did not tell Chamberlin that he incurred those expenses. Customer 8 does not know where Chamberlin obtained the fictitious amounts reported on the 2013 Schedule F and did not advise Chamberlin to claim those expenses on his behalf. Customer 8 also told the IRS that he was not aware that the fictitious farm loss and expenses had been reported on the 2013 Schedule F.

57. The false expenses and false farm loss Chamberlin reported on Customer 8's 2013 Schedule F resulted in an IRS audit adjustment to income of \$18,791 to Customer 8's return for tax year 2013. As a result of the false expenses and false farm loss Chamberlin reported on Customer 8's 2013 Schedule F, Customer 8's return did not show the tax liability he otherwise would have shown and claimed a refund of \$6,229 for tax year 2013 that he was not entitled to.

Tax Return Prepared on Behalf of Customer 9

58. Customer 9 does not own and operate a farm for profit. Customer 9 breeds horses for a hobby and keeps the horses for his friends to ride. Customer 9 keeps his horses on land belonging to others and maintains the land by cutting hay and feeding the hay to his horses. Customer 9 also operates a little bar occasionally and performs work with his backhoe for others.

59. In 2013, Customer 9 purchased a tractor on credit for \$9,000 and a backhoe for \$3,500. Customer 9 also purchased a gooseneck trailer.

60. For tax year 2013, Customer 9 received Form W-2 income. Customer 9 did not receive any Forms 1099 for that year.

61. Chamberlin prepared and e-filed a Form 1040 individual return on Customer 9's behalf for tax year 2013. Customer 9 provided Chamberlin with his Form W-2 and receipts for feed and fertilizer for his horses as well as the fuel bill for his tractor. Customer 9 received a copy of the return.

62. Chamberlin filed a Schedule F on Customer 9's behalf for 2013 which falsely reported a net farm loss of \$15,699. The 2013 Schedule F also included the following expenses: (i) Utilities of \$2,845; (ii) TRACTOR AND BACKHOE of \$9,000 and (iii) Feed of \$3,854.

63. Customer 9 did not incur the utilities expense reported on the Schedule F for 2013 and did not tell Chamberlin that he incurred this expense. Additionally, Customer 9 was not entitled to claim the expenses described in paragraphs 58-59 above on the 2013 Schedule F because he did not own and operate a farm for profit in 2013.

64. The false expenses and false farm loss Chamberlin reported on Customer 9's 2013 Schedule F resulted in an IRS audit adjustment to income of \$15,699 to Customer 9's return for tax year 2013. As a result of the false expenses and false farm loss Chamberlin reported on Customer 9's 2013 Schedule F, Customer 9's return did not show the tax liability he otherwise would have shown and claimed a refund of \$3,858 for tax year 2013 that he was not entitled to.

#### Tax Return Prepared on Behalf of Customer 10

65. Customer 10 does not own and operate a farm for profit. Customer 10 owns horses but never sold any horse for profit. Expenses related to the horses include feed, worm treatment and hay. Customer 10 does not use electricity for the horses.

66. In 2013, Customer 10 purchased a 16 foot horse trailer to take the horses to shows where he rides for leisure. Customer 10 also purchased horse shoes for the horses.

67. For tax year 2013, Customer 10 received Form W-2 income only.

68. Chamberlin prepared and e-filed a Form 1040 individual return on Customer 10's behalf for tax year 2013. Customer 10 provided Chamberlin with his Form W-2 and expenditure receipts for the horses. Customer 10 received a copy of the return.

69. Chamberlin filed a Schedule F on Customer 10's behalf for 2013 which falsely reported a net farm loss of \$20,225. The 2013 Schedule F also included the following fictitious expenses: (i) Seeds and plants of \$785; (ii) Supplies of \$2,158; (iii) Taxes of \$220; (iv) Utilities of \$6,278; (v) ANIMAL TRAILOR of \$1,200; (vi) Feed of \$1,920; (vii) Gasoline, fuel and oil of \$2,175; (viii) Insurance of \$3,700; (ix) interest of \$89; and (x) Labor of \$1,700.

70. Customer 10 did not incur the expenses reported on the Schedule F for 2013 and did not tell Chamberlin that he incurred those expenses. Customer 10 does not know where Chamberlin obtained the fictitious amounts reported on the 2013 Schedule F and did not advise Chamberlin to claim those expenses on his behalf. Additionally, Customer 10 was not entitled to claim the expenses described in paragraphs 65-66 above on the 2013 Schedule F because he did not own or operate a farm for profit in 2013.

71. The false expenses and false farm loss Chamberlin reported on Customer 10's 2013 Schedule F resulted in an IRS audit adjustment to income of \$20,225 to Customer 10's return for that year. As a result of the false expenses and false farm loss Chamberlin reported on Customer 10's 2013 Schedule F, Customer 10's return did not show the tax liability he otherwise would have shown and claimed a refund of \$3,889 for tax year 2013 that he was not entitled to.

**Harm to the United States**

72. Chamberlin's pattern of preparing returns that understated his customers' taxes and/or overstated their refunds, through the schemes described above, has resulted in the loss of significant federal tax revenue to the United States.

73. By creating and/or exaggerating expenses resulting in fictitious losses, Chamberlin caused the United States to issue refunds that his customers were not entitled to receive.

74. Based on the returns that Chamberlin prepared for tax years 2012 and 2013 alone, the IRS estimates that the United States has lost over \$1 million in tax revenue from Chamberlin's consistent understatement of tax liabilities and overstatement of refunds.

75. The United States also has had to bear the substantial cost of examining the returns Chamberlin has prepared and filed and must expend valuable resources in an attempt to assess and collect the unpaid taxes from the overstated refunds issued to Chamberlin's customers.

76. Unless enjoined by this Court, Chamberlin will likely continue to prepare and file tax returns that improperly generate the EITC and generate improper refunds.

**COUNT I  
INJUNCTION UNDER 26 U.S.C. § 7407 FOR CONDUCT  
SUBJECT TO PENALTY UNDER 26 U.S.C. §§ 6694 AND 6695**

77. The United States incorporates by reference the allegations in paragraphs 8 through 76 as if fully set forth herein.

78. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin a person who is a tax return preparer from engaging in certain prohibited conduct or from further



acting as a tax return preparer. The prohibited conduct justifying an injunction includes, *inter alia*, the following:

- (a) Engaging in conduct subject to penalty under 26 U.S.C. § 6694(a), which penalizes a tax return preparer who prepares a return that contains an understatement of tax liability or an overstatement of a refund due to an unreasonable position that the return preparer knew or should have known was unreasonable;
- (b) Engaging in conduct subject to penalty under 26 U.S.C. § 6694 (b), which penalizes a return preparer who prepares a return that contains an understatement of tax liability or overstatement of a credit or refund which is due to a willful attempt to understate the liability for tax or reckless or intentional disregard of rules or regulations;
- (c) Engaging in conduct subject to penalty under 26 U.S.C. § 6695(g), which penalizes a tax provider for failing to exercise due diligence in determining eligibility for the EITC; and
- (d) Engaging in any other fictitious or deceptive conduct which substantially interferes with the proper administrations of the Internal Revenue laws under 26 U.S.C. § 7407(b).

79. Under 26 U.S.C. § 7407(b), in order for a court to issue such an injunction, the court must find that:

- (a) The tax return preparer engaged in the prohibited conduct; and
- (b) Injunctive relief is appropriate to prevent the recurrence of such conduct.

80. If a tax return preparer's conduct is continual or repeated and the court finds that a narrower injunction (i.e., against only the conduct) would not be sufficient to prevent the preparer's interference with the proper administration of the internal revenue laws, the court may permanently enjoin the person from acting as a tax return preparer. *See* 26 U.S.C. § 7407(b).

81. As described above, Chamberlin has continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694(a) by preparing returns that understate the filers' tax liabilities and overstate their refunds based on unreasonable and reckless positions. Chamberlin has routinely prepared returns that claim fictitious and/or exaggerated Schedule C and Schedule F losses and expenses in order to generate the EITC and/or generate or increase refunds for his customers. Chamberlin did so with the knowledge that the positions he took on the returns were unreasonable and lacked substantial authority. Chamberlin has thus engaged in conduct subject to penalty under 26 U.S.C. § 6694(a).

82. Chamberlin has continuously and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694(b) by willfully understating his customers' liability and acting with a reckless and intentional disregard of rules and regulations.

83. Chamberlin has continuously and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6695(g). The IRS believes that Chamberlin fraudulently claimed larger EITCs than the customer was entitled to which resulted in income tax refunds in amounts larger than what customers were legally entitled to by reporting fictitious and/or exaggerated losses and expenses on customers' Schedules C and Schedules F.

84. Chamberlin has continually and repeatedly engaged in conduct that violates 26 U.S.C. §§ 6694 and 6695 and which substantially interferes with the administration of the

internal revenue laws. Injunctive relief is necessary to prevent this misconduct because, absent an injunction, Chamberlin is likely to continue preparing false federal tax returns on behalf of his customers.

85. A narrower injunction only against Chamberlin's conduct – as opposed to enjoining his activity as a tax return preparer – would be insufficient to prevent Chamberlin's interference with the administration of the federal tax laws. Chamberlin prepares returns understating taxpayers' liabilities through multiple schemes which report false information on his customers' tax returns and generate improper refunds. In addition, the IRS may not have yet identified all of the schemes used by Chamberlin to understate income. Failure to permanently enjoin Chamberlin will require the IRS to spend additional resources to uncover all of his future schemes. The harm resulting from these schemes include both the expenditures of these resources and the revenue loss caused by the fictitious and/or exaggerated losses and expenses Chamberlin claims on returns he prepares. Accordingly, only a permanent injunction is sufficient to prevent future harm and Chamberlin should be permanently barred from acting as a tax return preparer.

**COUNT II**  
**INJUNCTION UNDER 26 U.S.C. §7402 FOR UNLAWFUL INTERFERENCE**  
**WITH THE ENFORCEMENT OF INTERNAL REVENUE LAWS**

86. The United States incorporates by reference the allegations contained in paragraphs 8 through 76 as if fully set forth herein.

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

88. As described above, Chamberlin has repeatedly and continually engaged in conduct that interferes substantially with the administration and enforcement of internal revenue laws. Chamberlin has intentionally claimed false and/or exaggerated Schedule C and Schedule F losses and expenses to which his customers are not entitled in an effort to generate or increase the EITC and/or generate or increase refunds.

89. Unless enjoined, Chamberlin is likely to continue to engage in this improper conduct. If Chamberlin is not enjoined from preparing returns for others, the United States will suffer irreparable injury by failing to receive accurate tax payments from Chamberlin's customers, and erroneously providing federal income tax refunds to clients not entitled to receive them.

90. Chamberlin's conduct has caused and will continue to cause substantial tax losses to the United States Treasury, much of which may be undiscovered and unrecoverable. Moreover unless Chamberlin is enjoined from preparing tax returns, the IRS will have to devote substantial and unrecoverable time and resources auditing his customers individually to detect false, fictitious, or overstated deductions and credits in future returns, assessing any deficiencies against the customers, and collecting any deficiencies or recovering any erroneous refunds issued.

91. The United States has no other adequate remedy at law besides a permanent injunction to prevent the harm Chamberlin will continue to cause through preparation of a large volume of erroneous returns which generate substantial tax losses. Much of these tax losses will never be discovered. Of those that are discovered, the United States will be unable to recover all those losses through the typical notice and collection procedures available to it. In any event,

none of the significant resources necessary to discover and recover these losses are themselves recoverable by the United States.

92. The irreparable harm to the United States without the injunction far outweighs any harm the injunction might cause Chamberlin. Chamberlin's business and income are derived largely from the preparation of fictitious income tax returns, which is not an interest that this Court should weigh in deciding whether to issue a permanent injunction. Moreover, Chamberlin will be able to pursue other financial endeavors to support himself, but the United States cannot recover the additional moneys lost if Chamberlin is allowed to continue preparing tax returns.

93. It will be strongly in the public interest to enjoin Chamberlin from continuing to prepare tax returns so as to put a stop to his abusive schemes which have thus far generated potentially over \$1 million in tax revenues loss to the Government over just 2 tax seasons. The public is best served by having only ethical and honest tax return preparers in business. Permanently enjoining Chamberlin would also ensure that members of the public are not unknowingly subject to Chamberlin's fictitious return preparation practices, which in turn could subject them to audits by the IRS, liabilities for additional taxes, interest and penalties, and IRS collection actions.

94. The public interest is also served by having each person voluntarily pay the full amount of taxes that they owe and by having the Government collect the full amount of taxes to which it is entitled. This prevents those people whose tax returns are correctly prepared from shouldering a greater portion of the tax burden at the expense of people whose tax returns were fictitiously prepared.

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

A. That the Court find that Christopher Chamberlin has repeatedly and continually engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 and 6695, that injunctive relief is appropriate under 26 U.S.C. § 7407 to prevent recurrence of that conduct, and that an injunction tailored only to the specific conduct described would be insufficient to prevent Chamberlin's interference with the proper administration of the internal revenue laws;

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

C. That the Court enter a permanent injunction prohibiting Chamberlin or any other person working in concert or participation with him from directly or indirectly:

(1) preparing, filing, or assisting in the preparation or filing of, or directing the preparation or filing of, federal tax returns, amended returns, or other tax-related documents and forms, including any electronically-submitted tax returns or tax-related documents, for any entity or person other than Chamberlin;

(2) preparing, filing, or assisting in the preparation or filing of, or directing the preparation or filing of, federal tax returns or amended returns that he knows will result in an understatement of tax liability or the overstatement of federal tax refunds;

(3) engaging in activity subject to penalty under 26 U.S.C. §§ 6694 and 6695;

and

(4) engaging in conduct that substantially interferes with the proper administration and enforcement of the tax laws;

D. That the Court enter an injunction requiring Chamberlin, at his own expense:

(1) To send by United States mail, a copy of the final injunction entered against Chamberlin in this action, as well as a copy of the Complaint setting forth the allegations as to how Chamberlin fraudulently prepared federal income tax returns, to each person for whom he prepared federal income tax returns or any other federal tax forms after January 1, 2011;

(2) To turn over to the United States copies of all returns or claims for refund that he prepared after January 1, 2011;

(3) To turn over to the United States a list with the name, address, telephone number, email address, and social security number or other taxpayer identification number of all customers for whom he prepared returns after January 1, 2014;

(4) To file a sworn statement with the Court evidencing Chamberlin's compliance with the foregoing directives within forty-five (45) days of entry of the final injunction in this action; and

(5) To keep records of Chamberlin's compliance with the foregoing directives, which may be produced to the Court, if requested, or the United States pursuant to paragraph G, below;

E. That the Court authorize, without further proceeding, the immediate revocation of any PTIN, pursuant to 26 U.S.C. § 6109, and EFIN held by, assigned to, or used by Chamberlin;

F. That the Court enter an order allowing the United States to monitor Chamberlin's compliance with the injunction and to engage in post-judgment discovery in accordance with the Federal Rules of Civil Procedure; and

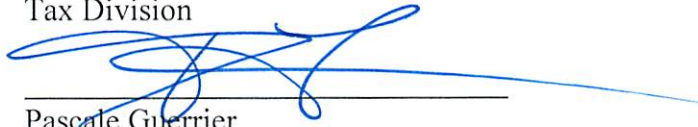
G. That the Court grant the United States such other and further relief as the Court deems appropriate.

Dated: April 7, 2016

Respectfully submitted,

CAROLINE D. CIRAULO  
Acting Assistant Attorney General  
Tax Division

By:



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Pascale Guerrier  
Trial Attorney, Tax Division  
U.S. Department of Justice  
555 4th Street, N.W., Room 6223  
Washington, D.C. 20001  
Telephone: (202) 353-1978  
Telecopier: (202) 514-4963  
E-mail: Pascale.Guerrier@usdoj.gov

Of Counsel:

GREGORY K. DAVIS  
United States Attorney  
Southern District of Mississippi  
501 East Court Street  
Suite 4.430  
Jackson, Mississippi 39201  
Phone: (601) 965-4480