

IN THE UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF MICHIGAN

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	Case No. 16-13626
	)	
v.	)	
	)	
VANNAK LONG, individually and	)	
d/b/a FAS TAX SERVICES, TAX R US,	)	
ROSALIND COLEMAN WARNOCK,	)	
JASMINE JACKSON, and MARY	)	
JACKSON	)	
	)	
Defendants.	)	
_____	)	

**COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF**

The United States of America, at the request of the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and at the direction of a delegate of the Attorney General, seeks a permanent injunction barring defendants Vannak Long, individually and doing business as Fas Tax Services; Tax R Us; Rosalind Coleman Warnock; Jasmine Jackson; and Mary Jackson, from acting as federal tax return preparers and from engaging in conduct subject to penalty under the Internal Revenue Code (26 U.S.C.) (“Code”).

**JURISDICTION**

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. The defendant Vannak Long currently resides and does business within the jurisdiction of this Court.

3. The defendant Tax R Us was incorporated in Michigan and has its principal place of business in Detroit, Michigan, within this Court's jurisdiction.

4. The defendant Rosalind Coleman Warnock resides in Savannah, Georgia. Through the 2015 tax season, Warnock resided and did business within the jurisdiction of this court during the tax return preparation season. Warnock's conduct giving rise to this action occurred within the jurisdiction of this Court.

5. The defendant Jasmine Jackson currently resides and does business within the jurisdiction of this court.

6. The defendant Mary Jackson currently resides and does business within the jurisdiction of this court.

### **THE PARTIES**

7. Vannak Long is a tax return preparer who has been preparing income tax returns for other persons since 1994. From 1994 to 2006, Long was self-employed. In 2006, Long worked for Liberty Tax. In 2007, Long started his own tax preparation business, Tax R Us.

8. During 2011 and 2012, Long operated a second tax preparation business, Fas Tax Service. Long started the business in his wife's name. Long and his wife

treated the business as a sole proprietorship and reported the income on Schedule C, Profit or Loss from Business, of their joint income tax returns.

9. Fas Tax Service used the same tax return preparers as Tax R Us.

10. Tax R Us is a single member limited liability company that Long reports on Schedule C, Profit or Loss from Business, of his and his wife's joint income tax returns. Long is the only officer of Tax R Us and oversees the entire business.

11. Rosalind Coleman Warnock worked as a tax return preparer for Tax R Us from 2009 to 2013. In 2010, Warnock began serving as a manager of Tax R Us office in addition to preparing returns. During 2014, 2015, and 2016 Warnock continued to act as a return preparer, but prepared returns for American Tax Team LLC and Money Rite Tax Service RGL in Detroit, Michigan instead of Tax R Us.

12. Warnock resides in Savannah, Georgia and returns to Detroit, Michigan every filing season to work as an income tax return preparer. Warnock is Tax R Us preparer Tiffany Coleman's mother.

13. Jasmine Jackson has worked as a tax return preparer for Tax R Us since 2008. In addition to preparing tax returns, Jasmine Jackson is also a manager of a Tax R Us office.

14. Mary Jackson has worked as a tax return preparer for Tax R Us since 2009. In addition to preparing tax returns, Mary Jackson is also a manager of a Tax R Us office. Mary Jackson is defendant Jasmine Jackson's sister.

## TAX R US

15. When it first opened, Tax R Us had one office and four tax return preparers (including Long). By 2013, Tax R Us had expanded to seven offices in the Detroit-area and more than 20 tax return preparers. Each office location usually had between two and six preparers and one manager, who also prepared returns.

16. Since it opened in 2007, some of the locations at which Long as operated Tax R Us in the Detroit-area include: 7635 E. 8 Mile Road, Warren; 16900 E. Warren Street, Detroit; 6900 East 7 Mile Road, Detroit; 3157 Woodward Avenue, Detroit; 21234 Van Dyke Avenue, Warren; 14621 W 8 Mile Road, Detroit; and 143 South Telegraph Road, Pontiac.

17. Long handled the hiring and firing of Tax R Us tax return preparers as well as deciding which Tax R Us preparers would be promoted to manager. Preparers and managers would make recommendations on hiring decisions, but Long made the ultimate decisions.

18. Tax R Us would obtain customers through advertising and word of mouth.

19. Tax R Us also used “runners”—people who were paid every time they brought in a customer, usually \$10 to \$20 a customer.

20. Tax R Us charges approximately \$600 to prepare a customer’s individual income tax return. The preparation fee is taken out of the customer’s refund.

21. When Long first began Tax R Us, he paid his preparers in cash on a biweekly basis. Around 2013 Long began paying his preparers with checks.

22. Long typically paid his preparers “under the table”—that is, he did not, as required by law, issue his preparers either Forms W-2 or Forms 1099, except for in 2010 when Long issued Forms 1099.

23. Forms 1099 are used to report amounts paid to independent contractors; when a person engaged in a trade or business makes a payment of more than \$600 in salary or wages the person has to report such payment to the IRS on Form 1099.

24. Employers are required by law to issue Forms W-2 to their employees by January 31 of each year, to report the annual wages paid for the preceding year. The Forms W-2 are also sent to the IRS.

25. Each year Long paid preparers bonuses based on the number of returns they prepared. The bonuses were 3% to 5% of the return preparation fees a preparer generated. The bonuses were paid in cash. The bonuses have ranged between \$5,000 and at least \$12,000.

26. For some years, if a preparer brought in 200 clients, Long would pay the preparer \$500 per month in the nonfiling season.

## **IRS INVESTIGATION INTO THE DEFENDANTS' ACTIVITIES**

27. In 2011, the IRS began a civil investigation into Long's tax return preparation activities. Based on information learned during that investigation, the IRS opened civil investigations into the tax return preparation activities of defendants Warnock, Jasmine Jackson, and Mary Jackson. The IRS also opened a civil investigation into the tax return preparation activities of Tax R Us return preparer and manager Tiffiny Coleman. The IRS also opened criminal investigations into the tax return preparation activities of Warnock, Jasmine Jackson, and Coleman.

28. The IRS notified Long, Warnock, and Mary Jackson that they were being civilly investigated in November 2011, January 2013, and December 2013, respectively. Jasmine Jackson did not receive notice of the civil investigation because of the criminal investigation into her activities.

29. The IRS interviewed Long and Warnock as part of its civil investigations on January 12, 2012 and March 12, 2013, respectively.

30. The IRS interviewed Jasmine Jackson as part of its criminal investigation on April 11, 2013 and April 24, 2013.

31. As part of its civil investigation, the IRS examined 37 returns prepared by Long in 2011, 2012, and 2013; 27 returns prepared by Warnock in 2012 and 2013,

31 returns prepared by Jasmine Jackson in 2012 and 2013; and 48 returns prepared by Mary Jackson in 2012, 2013, and 2014.

32. The IRS civil investigation reveals that the defendants systematically filed, or caused to be filed, fraudulent and abusive tax returns.

33. The IRS civil investigation reveals that the managers at Tax R Us encourage abusive and fraudulent return preparation and that preparers solicit and receive from customers extra money for creating fraudulent returns.

34. In addition to the returns examined as part of the IRS civil investigation, the IRS, in the normal course of its business, audited additional returns prepared by the defendants. As discussed below, many of those additional returns were also found to be fraudulent.

### **CRIMINAL CHARGES AGAINST TIFFINY COLEMAN**

35. Tiffany Coleman began working for Tax R Us in 2007. She has served as a manager at Tax R Us. Coleman is defendant Warnock's daughter.

36. The IRS conducted an investigation into tax returns prepared by Coleman for the 2009 and 2010 tax years. As part of its criminal investigation, IRS Special Agents interviewed Coleman, Jasmine Jackson, and Long on December 13, 2010, May 5, 2011, and August 25, 2011, respectively. Long was also present for a portion of Coleman's December 13, 2010 interview.

37. The IRS determined that Coleman prepared at least 154 false individual income tax returns using false Forms W-2 and false education credits for the 2009 and 2010 tax years while working at Tax R Us. The false returns requested refunds totaling \$994,758.

38. On June 5, 2014, Coleman pleaded guilty to conspiracy to present false claims to an agency of the United States in the case *United States v. Tiffiny J. Coleman*, 5:14-cr-20204-JCO-DRG (E.D. Mich.).

39. In her plea agreement, Coleman admitted that she filed false and fraudulent returns for the 2009 tax year, that most of the refunds were transferred into her bank accounts, and that she split the proceeds of the conspiracy with unnamed co-conspirators. The false and fraudulent returns were prepared at Tax R Us.

40. As part of plea agreement, Coleman agreed to be permanently enjoined, under 26 U.S.C. §§ 7402, 7407, and 7408, from preparing or filing, or aiding or assisting in preparing or filing, federal tax returns for anyone other than herself. On April 1, 2015, a permanent injunction was entered against Coleman in *United States v. Tiffiny J. Coleman*, 2:15-cv-11102-BAF-RSW (E.D. Mich.).

**CRIMINAL CHARGES AGAINST MARY JACKSON, JASMINE JACKSON, AND WARNOCK**

41. On January 4, 2016, Jasmine Jackson was charged with preparation of false tax returns in the case *United States v. Jasmine Jackson*, 2:16-cr-20001-MOB-APP (E.D. Mich.). On February 4, 2016, Jasmine Jackson entered a guilty plea. In her sentencing memorandum, Dkt. No. 12, Jasmine Jackson admitted her criminal actions and that those actions resulted in numerous taxpayers receiving inflated refunds. Jasmine Jackson stated that some of her customers knew of the inflated refunds, while other customers did not. On August 2, 2016, Jasmine Jackson was sentenced.

42. On June 21, 2016, Mary Jackson was indicted on 26 counts of aiding and assisting in preparation of false tax returns in the case *United States v. Mary Jeanette Jackson*, 2:16-cr-20454-AJT-DRG (E.D. Mich). The indictment alleges that from about 2011 to 2014 Mary Jackson, while working as a tax return preparer and later an office manager at Taxes R Us willfully and knowingly aided in the preparation and filing of 26 individual tax returns on behalf of 13 individuals for the tax years 2010 through 2013 that were false as to material matters, including returns which contained the following either inflated or fictitious Schedule C business income in order to maximize the Earned Income Tax Credit, false Form 8863-American Opportunity Credits for college expenses, and false dependent which Mary Jackson knew were false. On September 14, 2016, Mary Jackson pleaded

guilty. In her plea agreement, Dkt. No. 19, Mary Jackson admitted to willfully aiding in the preparation and filing of an individual income tax return for the year 2011 that was false as to a material matter. She admitted that she knowingly prepared and caused the return to be filed with a false Schedule C in order to maximize the taxpayer's Earned Income Tax Credit. Mary Jackson is scheduled to be sentenced on December 14, 2016.

43. On March 21, 2016, Warnock pleaded guilty to charges of aiding and assisting the preparation of false tax returns in the case *United States v. Rosalind Warnock*, 2:16-cr-20148-PDB (E.D. Mich.). In her Rule 11 Plea Agreement, Dkt. No. 31, Warnock admitted to willfully aiding in preparing and filing 28 individual income tax returns while working at Tax R us and American Tax Service from 2010 to 2014. She also admitted that she prepared and caused to be filed tax returns with false Schedule C business income claiming fictitious income to maximize the Earned Income Tax Credit, created false wage information, and/or claimed false education credits, all to produce larger refunds. Warnock also admitted that she knew these returns were fraudulent. She also admitted that she prepared and caused the false tax returns to be filed in order to inflate the taxpayer's refund. Warnock is scheduled to be sentenced on October 17, 2016.

### **NUMBER OF RETURNS PREPARED BY DEFENDANTS**

44. Tax return preparers are required to provide their Preparer Tax Identification Number (“PTIN”) on the tax returns they prepare. *See* 26 U.S.C. § 6109(a)(4). Tax return preparers who file more than ten tax returns in a year must also provide on the returns their Electronic Filing Identification Number (“EFIN”). *See* 26 U.S.C. § 6011(e)(3).

45. The tax return preparers at Tax R Us and Fas Tax did not always provide the required PTINs and EFINs on the returns they prepared, making it difficult for the IRS to determine how many returns each of the defendants prepared. Below is the information for the number of returns on which the defendants provided the required identification numbers:

<b>Year Returns Prepared</b>	<b>Tax Year</b>	<b>Tax R Us</b>	<b>Long</b>	<b>Jasmine Jackson</b>	<b>Mary Jackson</b>	<b>Warnock</b>	<b>Fas Tax</b>
2016	2015	868*	259	2	206	211*	-
2015	2014	1,517	347	67	219	336*	-
2014	2013	1,700	377	414	235	192*	-
2013	2012	3,214	180	693	220	676	-
2012	2011	2,754	197	534	457	325	12
2011	2010	1,566	?	560	347	553	385
2010	2009	2,706	294	?	?	?	-
2009	2008	1,559	310	277	?	?	-
2008	2007	634	?	?	?	?	-

\*Returns filed under Tax R Us' Employer Identification Number but returns reflected Fastax LLC as the preparation firm.

\*\* Returns not prepared at Tax R Us.

### **THE DEFENDANTS' SCHEMES FOR DEFRAUDING THE GOVERNMENT**

46. Although Tax R Us preparers defraud the government in numerous ways, there are two schemes they consistently use to fraudulently maximize their customers' refunds—fraudulent Earned Income Tax Credits and fraudulent American Opportunity Tax Credits.

#### **Earned Income Tax Credit Abuse**

47. The Earned Income Tax Credit ("EITC") is a refundable tax credit available to certain low-income individuals. The amount of the credit is based on the taxpayer's income, filing status, and claimed number of dependents. The requirements for claiming the EITC are set forth in 26 U.S.C. § 32.

48. Because the EITC is a refundable credit, claiming an EITC can reduce a taxpayer's federal tax liability below zero, entitling the taxpayer to a refund from the U.S. Treasury.

49. Due to the method used to calculate the EITC, an individual can claim a larger EITC by claiming multiple dependents and, for certain income ranges, individuals with higher annual incomes are entitled to a larger credit than those with lower annual incomes. The amount of the credit increases as income increases between \$1 and \$12,550, and decreases as income increases beyond \$16,400. Some tax return preparers refer to this range of earned income corresponding to a maximum EITC as the "sweet spot." For example, for tax year 2010, the maximum EITC was \$5,666 and was available to eligible individuals who earned income between \$12,550 and \$16,400 and who had three dependent children.

50. The defendants exploit the EITC rules by claiming on their customers' tax returns bogus dependents and by reporting phony self-employment and other earned income. In order to bring a customer's reported earned income within the "sweet spot" for the EITC, and depending on a customer's actual income, the defendants may report bogus earned income, inflate or fabricate self-employment income to fraudulently increase a customer's reported earned income, or understate self-employment income to fraudulently reduce a customer's earned income.

### **Fraudulent American Opportunity Tax Credits**

51. The American Opportunity Tax Credit (AOTC) is a tax credit to help taxpayers defray the cost of higher education. Qualified expenses for the American Opportunity Tax Credit include the cost of tuition, fees, and course materials for higher education. Up to \$1,000 of the credit is refundable (*i.e.*, the taxpayer receives the credit even if he owes no tax). The education institution must file with the IRS a Form 1098-T, Tuition Statement, to report payments received, or amounts billed, for qualified tuition and related expenses for each student.

52. Tax R Us tax return preparers consistently claim bogus education credits on the tax returns of customers who did not attend college and had no qualifying education expenses, in order to fraudulently generate a bogus refund.

### **JASMINE JACKSON'S FRAUDULENT TAX PREPARATION ACTIVITIES**

53. Of the 31 returns prepared by Jasmine Jackson that the IRS examined as part of its civil investigation, 27 returns were fraudulent. The returns were prepared in 2012 and 2013 filing seasons. Jasmine Jackson consistently used the EITC and AOTC schemes.

### **Earned Income Credit Fraud Abuse**

54. Jasmine Jackson frequently reports bogus self-employment income on her customers' Schedules C, Profit or Loss from Business, to inflate earned income and thereby improperly enable the customer to claim the EITC. Taxpayers file

Schedules C, Profit or Loss From Business, with their individual income tax returns to report income or losses from a business they operated as a sole proprietor. Of the 31 returns prepared by Jasmine Jackson that IRS examined, 25 claimed the EITC and 19 had Schedules C. Upon examination, the IRS determined that all but one of the claimed EITC were fraudulent, and completely disallowed 20 of the claimed EITC. Jasmine Jackson claimed her customers were entitled to a total of \$111,909 in EITC but the IRS exam revealed that her customers were entitled to a total of only \$6,747. Additionally, the IRS determined that all 19 Schedules C were fraudulent.

55. For example, Jasmine Jackson has been preparing Customer1 income tax returns since 2008. Customer1 earns wages as an employee of various fast food restaurants and has never been self-employed. To maximize Customer1's EITC, Jasmine Jackson falsely reported that Customer1 was self-employed. For some years Jasmine Jackson reported that Customer1 had a business as a nail tech. In another year, she reported that Customer1 earned self-employment income as a caregiver. By reporting false income from these bogus self-employment jobs, Jasmine Jackson was able to increase the amount of Customer1's EITC. For tax years 2011 and 2012, Jasmine Jackson claimed that Customer1 was entitled to EITCs of \$5,112 and \$4,934. However, the IRS audit of the returns revealed that Customer1 was not entitled to any EITC for either year.

56. Not only did Jasmine Jackson defraud the government, but she essentially charged her customers a higher fee in exchange for creating these fraudulent returns. In exchange for “adding on” the Schedule C, Jasmine Jackson solicits “tips” from her customers, telling them to give her “something extra” and not to be “cheap.” If a customer asks how much to “tip,” Jasmine Jackson suggests \$300 to \$500.

### **Fraudulent American Opportunity Tax Credits**

57. Of the 31 returns Jasmine Jackson prepared that the IRS examined, 20 claimed the American Opportunity Tax Credit. Upon examination, the IRS determined that none of these claimed American Opportunity Tax Credits were legitimate.

58. For example, Jasmine Jackson prepared Customer2’s 2011 income tax return. Customer2 did not attend any school during 2010 and therefore was not entitled to the American Opportunity Tax Credit. Customer2 did not tell Jasmine Jackson she attended any school in 2011. However, Jasmine Jackson claimed on the tax return that Customer2 attended school and was entitled to the credit.

### **Other Fraudulent Conduct**

59. On four tax returns, Jasmine Jackson fraudulently overstated her customers’ itemized deduction on their Schedules A. Jasmine Jackson claimed the customers were entitled to a total of \$61,576 in itemized deductions, but the IRS disallowed

\$40,205 of the claimed deductions. For example, Jasmine Jackson prepared Customer3's 2011 tax return and 2012 tax returns and reported that Customer3 was entitled to \$14,976 and \$14,446 of itemized deductions, respectively. Upon examination, the IRS determined that Customer3 was entitled to only \$4,471 for 2011 and \$4,198 for 2012. For 2011, Jasmine Jackson reported that Customer3 made \$500 cash contributions to charity. However, Customer3 never made any cash contributions to charity and he did not tell Jasmine Jackson that he had.

60. On 28 returns, Jasmine Jackson claimed her customers had dependents. However, the IRS disallowed the dependents on 16 returns. By fraudulently claiming false dependents for her customers, Jasmine Jackson is able to increase her customers' tax refund by manipulating their EITC, additional child tax credit, and head-of-household filing status. For example, Jasmine Jackson claimed her customers were entitled to the additional child tax credit on 22 returns. However, the IRS completely disallowed 18 of the claimed credits and partially disallowed 2 of the claimed credits.

61. In addition to preparing tax returns at Tax R Us, Jasmine Jackson has prepared and filed tax returns using various online tax return services (*e.g.*, Turbo Tax) to prepare returns for compensation. She does not include her PTIN on these returns as required by law.

### **Jasmine Jackson's Harm to the Government**

62. With respect to the 31 returns the IRS examined as part of its civil investigation, the IRS determined Jasmine Jackson may have cost the government \$160,349 or more.

63. In addition to the 31 returns the IRS examined as part of its civil investigation, the IRS audited 139 other returns prepared by Jasmine Jackson for the 2010 through 2012 tax years. As result of its examinations, the IRS determined that the taxpayers collectively owed an additional \$601,226.

64. Thus, Jasmine Jackson's harm to the United States may be as much as \$761,575 or more.

### **WARNOCK'S FRAUDULENT TAX PREPARATION ACTIVITIES**

65. As part of its civil investigation, the IRS examined 27 returns Warnock prepared during 2012 and 2013. All 27 returns were found to be fraudulent. Warnock consistently uses three fraudulent schemes to maximize her customers' refunds—false withholding, fraudulent EITC, and fraudulent AOTC.

#### **False Wages and Withholding**

66. Warnock will fraudulently increase her customer's refund by claiming the customer had more taxes withheld than he actually did. Warnock has also created false Forms W-2, Wage and Tax Statement, that reflect false wages and false withholding for her customers.

67. On 17 returns examined by the IRS, Warnock fraudulently represented that her customers had more income than they actually earned and had paid more withholding than they had. Those 17 customers would then receive that fake withholding back as a refund.

68. For example, Warnock prepared and filed Customer4's 2011 tax return. During 2011 Customer4 worked two jobs. At one she earned \$856 in wages and had \$20 federal income tax withheld. At the other job, she earned \$124 and did not have any federal income taxes withheld. Customer4 provided Forms W-2 which reflected this information to Warnock. Instead of reporting on Customer4's return the information on the Forms W-2, Warnock falsely reported that Customer4 had \$1,856 in wages and \$300 of federal income tax withheld. Thus, Customer4 got a withholding credit of \$280 to which she was not entitled.

### **Earned Income Tax Credit Abuse**

69. Warnock frequently creates false Schedules C for her customers and reports bogus self-employment income on those Schedules C to improperly enable the customer to claim the EITC. Of the 27 returns prepared by Warnock that the IRS examined, 9 claimed the EITC and 8 had Schedules C. The IRS's examination of these returns showed that none of the returns were entitled to the EITC and that all 8 Schedules C were fraudulent.

70. Warnock solicits from her customers an “add-on” charge to create these fraudulent returns.

71. As part of its criminal investigation into Warnock’s fraudulent tax preparation activities, the IRS conducted an undercover investigation. Warnock told the undercover agent that to get a larger refund, she should claim on a fake Schedule C that she earned income as a hairstylist. Warnock told the undercover agent that she charges \$300 for doing an “add-on.”

### **Fraudulent American Opportunity Tax Credits**

72. Of the 27 returns prepared by Warnock that the IRS examined, 24 claimed the American Opportunity Tax Credit. None of the claimed credits were legitimate. After examination, the IRS completely disallowed 23 of the claimed credits and partially disallowed one.

### **Other Fraudulent Conduct**

73. On the 27 returns that IRS examined, 11 claimed dependents. The IRS disallowed the claimed dependents for all 11 returns. The IRS disallowed dependents because the taxpayers were unable to show that the persons claimed as dependents actually resided with the taxpayer or that the taxpayer provided the needed support for the claimed persons. By fraudulently claiming false dependents for her customers, Warnock is able to increase her customers’ tax refund by manipulating their EITC, additional child tax credit, and head-of-household filing

status. For example, Warnock claimed her customers were entitled to the additional child tax credit on 8 returns. However, after examination, the IRS disallowed all 8 claimed additional child tax credits.

74. Of the 27 returns prepared by Warnock that the IRS examined, 10 reflected a head of household filing status. The IRS determined that none of the 10 taxpayers were entitled to claim a head of household filing status. By fraudulently claiming a head of household filing status, Warnock is able to fraudulently increase her customers' standard deduction.

#### **Warnock's Harm to the United States**

75. With respect to the 27 returns the IRS examined as part of its civil investigation, the IRS determined Warnock may have cost the government as much as \$169,100 or more.

76. In addition to the 27 returns the IRS examined as part of its civil investigation, the IRS audited 145 additional returns Warnock prepared for tax years 2011 and 2012. As a result of its examinations, the IRS determined that the taxpayers collectively owed an additional \$758,878.

77. Thus, Warnock's harm to the United States may be as much as \$927,978.

#### **MARY JACKSON'S FRAUDULENT TAX PREPARATION ACTIVITIES**

78. As part of its civil investigation, the IRS examined 48 returns prepared by Mary Jackson during 2012, 2013, and 2014, all of which the IRS determined were

fraudulent. Mary Jackson consistently uses the EITC and AOTC schemes to maximize her customers' tax refunds.

### **Earned Income Tax Credit Fraud**

79. Mary Jackson frequently creates false Schedules C to fraudulently maximize her customers' EITC. Of the 48 returns prepared by Mary Jackson that the IRS examined, 47 claimed the EITC and 38 had Schedules C. The IRS partially disallowed 7 of the claimed EITC and completely disallowed 39 of the claimed EITC; only one of the claimed EITCs was allowed. All 38 Schedules C were disallowed.

80. For example, Mary Jackson prepared Customer5's 2012 income tax return. Customer5 was not self-employed during 2012. However, in order to maximize her customer's refund, Mary Jackson created a fraudulent Schedule C on which Mary Jackson reported that MS earned \$14,236 from self-employment. The IRS's examination of Customer5's 2012 income tax return revealed that her EITC was \$3,627 too much.

81. Mary Jackson claimed her customers were entitled to EITC in a total amount of \$216,210. However, the IRS exams revealed that her customers were only entitled to EITC totaling \$9,660.

### **Fraudulent American Opportunity Tax Credits**

82. Of 48 returns prepared by Mary Jackson that the IRS examined, 18 claimed the AOTC. After examination, the IRS completely disallowed 17 of the credits.

83. For example, Mary Jackson prepared Customer6's 2012 income tax return. On the return, Mary Jackson fraudulently claimed that Customer6 and her son were both entitled to the AOTC. However, Customer6 did not pay any tuition for herself or her son during 2012.

### **Other Fraudulent Conduct**

84. Of the 48 returns prepared by Mary Jackson that the IRS examined, two claimed itemized deductions instead of the standard deduction. For the two returns, Mary Jackson claimed her customers were entitled to \$25,588 of itemized deductions. However, the IRS exam showed that the customers were entitled to only \$3,367 of the claimed itemized deductions.

85. Of the 48 returns prepared by Mary Jackson that the IRS examined, the IRS disallowed 72 of the claimed dependents on 37 returns. By fraudulently claiming false dependents for her customers, Mary Jackson is able to increase her customers' tax refund by inflating their EITC, generating additional child tax credits, and falsely claiming head-of-household filing status. For example, 42 of the returns prepared by Mary Jackson claimed the Additional Child Tax Credit. After examination, the IRS determined that only five of the returns were actually entitled

to the Additional Child Tax Credit. Mary Jackson claimed her customers were entitled to a total of \$61,025 for the additional child tax credit. However, the IRS exam showed that her customers were entitled to a total of only \$1,014.

86. Of the 48 returns prepared by Mary Jackson that the IRS examined, 26 claimed a head of household filing status. The IRS determined that only 4 customers were actually entitled to that filing status, however. By fraudulently claiming a head of household filing status, Mary Jackson is able to fraudulently increase her customers' standard deduction.

87. In addition to preparing fraudulent returns, Mary Jackson also failed to properly identify herself as a tax return preparer on all the returns she filed. On some returns, Mary Jackson would prepare the returns using her sister's name and PTIN.

#### **Mary Jackson Continued Fraudulent Tax Preparation Despite Notice of IRS's Civil Investigation**

88. In December 2013, the IRS notified Mary Jackson that she was under civil investigation for fraudulent tax return preparation activities.

89. Despite this notice, Mary Jackson continued her fraudulent tax preparation activities.

90. In 2014, Mary Jackson prepared at least 7 fraudulent tax returns.

### **Mary Jackson's Harm to the Government**

91. With respect to the 48 returns the IRS examined as part of its civil investigation, the IRS determined that Mary Jackson may have cost the government as much as \$253,405 or more.

92. In addition to those 48 returns, the IRS has audited 117 other returns prepared by Mary Jackson for the 2010 through 2013 tax years. As result of these additional examinations, the IRS determined that the taxpayers collectively owed an additional amount \$488,255.

93. Thus, Mary Jackson's fraudulent return preparation activity has resulted in harm to the United States that may be as much as \$741,660 or more.

### **LONG'S FRAUDULENT TAX PREPARATION ACTIVITIES**

94. Of the 37 returns prepared by Long that the IRS examined, 26 returns were fraudulent. The returns were prepared in 2011, 2012, and 2013.

### **Fraudulent Schedules C**

95. To minimize a customer's income subject to tax, Long will manipulate his customers' Schedules C, Profit or Loss From Business, by understating his customers' gross receipts and overstating their business deductions, including improperly treating nondeductible personal expenditures as deductible business expenditures.

96. Of the 37 returns prepared by Long that the IRS examined, 19 underreported gross receipts by a total of \$778,303. For several of these returns, Long either reported only credit card sales or reported credit card sales and a nominal amount of cash sales. For example, Long advised Customer7 not to report cash sales in order to reduce his taxable income.

97. Of the 37 returns prepared by Long that the IRS examined, 26 overstated their business deductions by a total of \$570,333.

- a. On 22 returns, Long overstated the customer's car and truck expense. Long frequently treated a customer's nondeductible commuting miles as deductible.
- b. On 15 returns, Long overstated the customer's depreciation expense. Long frequently treated his customers' nondepreciable personal vehicle as a depreciable business asset.
- c. On 16 returns, Long deducted his customers' nondeductible lunch expenses as meals and entertainment expenses.

98. Some specific examples of Long's fraudulent tax preparation activities with respect to Schedules C are as follows:

- a. Long prepared and filed Customer8 & Customer9's 2011 federal income tax return. On the return, Long fraudulently deducted Customer8's personal bankruptcy expenses as business expenses.

- b. Long prepared and filed Customer10 and Customer11's 2010 federal income tax return. On the return, Long fraudulently deducted Customer10 and Customer11's personal income tax preparation expense three times – once on the Schedule A, Itemized Deductions, and also as a legal and professional expense business on two Schedules C.
- c. Long prepared and filed Customer12 & Customer13 2010 and 2011 federal income tax returns. On the returns, Long fraudulently deducted expenses related to Customer12 & Customer13's rental properties as Schedule C expenses when they should have been treated as Schedule E properties.

### **Fraudulent Schedules A**

99. Long also prepared fraudulent Schedules A for his customers. During its investigation, the IRS discovered five returns which fraudulently overstated itemized deductions by a total of \$32,612.

100. Some specific examples of Long's fraudulent tax preparation activities with respect to Schedules A are as follows:

- a. Long prepared and filed Customer14 and Customer15's 2010 federal income tax return. Although Customer14 and Customer15 did not make any charitable contributions during 2010 or pay any mortgage

insurance premiums, Long fraudulently reported charitable contributions and mortgage insurance premiums deductions. Long also fraudulently claimed that Customer14 and Customer15 were entitled to deduct \$4,499 of real estate taxes expenses when they were entitled to deduct only \$326.

- b. Long prepared and filed Customer16 and Customer17's 2011 federal income tax return. Long deducted Customer16 and Customer17 expenses for cosmetic surgery as medical expenses on the Schedule A even though cosmetic surgery expenses are nondeductible.

### **Earned Income Tax Credit Abuse**

101. In order to get his customer to the "sweet spot" that would allow them to maximize their EITC, Long understated some of his customers' Schedule C income.

102. Of the 37 returns prepared by Long that the IRS examined, 18 claimed the EITC. All 18 claims for the credit were fraudulently overstated, and 13 of the claims were completely disallowed.

### **Other Fraudulent Deductions**

103. Long's fraudulent activities are not limited to Schedules A, Schedules C, and EITC. Some specific examples of Long's fraudulent tax preparation activities with respect to other deductions are as follows:

- a. As discussed above, Long prepared and filed Customer8 & Customer9's 2011 federal income tax return. In July 2011, Customer8

& Customer9 started renting a parcel of real estate. Long fraudulently deducted a full year of interest and taxes as rental expense even though the property had only been rental property for six months.

- b. Long prepared and filed Customer14 and Customer15's 2010 and 2011 federal income tax returns. On the returns, Long claimed Customer14's brother as Customer14 and Customer15's dependent. However, this claim was fraudulent because Customer14's brother did not live with Customer14 (in fact, he lived in Florida with his mother). Long claimed Customer14's brother as a dependent without inquiring whether the brother met the requirements for being claimed as a dependent (i.e., whether Customer14 and Customer15 provided him any support). Long also fraudulently claimed that Customer14 and Customer15 were entitled to the American Opportunity Credit.
- c. Long prepared and filed Customer18's 2010, 2011, and 2012 federal income tax returns. On the returns, Long improperly identified Customer18's filing status as head of household instead of single, which resulted in Customer18 receiving a greater standard deduction.

**Long Continued Fraudulent Tax Preparation Despite  
Notice of IRS's Civil Investigation**

104. In November 2011, the IRS notified Long that he was under civil investigation for fraudulent tax return preparation activities.

105. Despite this notice, Long continued his fraudulent tax preparation activities.

106. In 2012 and 2013, Long prepared at least 19 fraudulent tax returns which under reported taxes by \$354,566.

107. Additionally, Long prepared fraudulent tax returns in 2011 despite knowing of the IRS's criminal investigation into Coleman.

108. Not only did Long continue to prepare fraudulent tax returns himself despite knowledge the of the IRS's investigations, he allowed his preparers to continue preparing fraudulent tax returns.

### **Long's Harm to the Government**

109. With respect to the 37 returns prepared by Long and examined by IRS, the IRS determined that Long may have cost the government \$583,088 or more.

### **Long's Acceptance, if Not Encouragement, of Fraudulent Tax Return Preparation at Tax R Us**

110. With Long's knowledge and active participation, Tax R Us preparers engaged in continuous and systematic schemes to defraud the government.

111. Since at least 2010 Long has known that the IRS was investigating tax returns prepared at Tax R Us. Despite knowledge of civil and criminal IRS investigations, Long continued to allow, if not encourage, Tax R Us preparers to prepare fraudulent tax returns.

112. As the owner of Tax R Us, Long was responsible for the fraudulent conduct of his preparers and yet he failed to stop the preparation of fraudulent returns at Tax R Us.

113. Long has profited greatly from the fraudulent returns prepared at Tax R Us. Tax R Us is able to charge steep preparation fees because of the exceedingly large fraudulent refunds it obtains its customers.

### **DEFENDANTS' HARM TO THE UNITED STATES**

114. As discussed above, Long's fraudulent tax return preparation may have cost the United States at least \$583,088. Jasmine Jackson's fraudulent tax return preparation may have cost the United States at least \$761,575. Warnock's fraudulent tax return preparation may have cost the United States at least \$927,978. Mary Jackson's fraudulent tax return preparation may have cost the United States at least \$741,660. Thus, the total harm by the defendants may be as much as \$3,017,301.

115. For the tax year 2010, Tax R Us prepared 210 fraudulent returns that underreported taxes by \$966,100.

116. For the tax year 2011, Tax R Us prepared 268 fraudulent returns that underreported taxes by \$1,047,660.

117. For the tax year 2012, Tax R Us prepared 206 fraudulent returns that underreported taxes by \$928,662.

118. The fraudulent returns the defendants have prepared and filed have caused and continue to cause substantial harm to the Government by fraudulently reducing customers' reported tax liabilities, helping customers to obtain fraudulent refunds and evade taxes, and by obstructing the IRS's efforts to administer the federal tax laws.

119. The defendants' fraudulent conduct—which is essentially stealing from the United States Treasury—has caused significant damage to the fisc. The IRS's audits show the harm to the United States by the defendants may be as much as \$3,017,301 or more. Because just a portion of the defendants' returns were audited, it is likely that the harm done to the United States by the defendants' fraudulent tax preparation far exceeds \$3,017,301.

120. The United States is also harmed because the IRS must devote limited resources to investigating the defendants' fraudulent conduct as tax return preparers, detecting and examining inaccurate and fraudulent returns filed by the defendants, and attempting to assess and collect from their customers' unpaid taxes and penalties, some of which may not be collectible.

121. The defendants' customers have been harmed because they have paid the defendants to prepare tax returns, and they now face large tax deficiencies and may be liable for sizable penalties and interest as a result.

122. In addition to the direct monetary and administrative harm caused by preparing returns that understate customers' tax liabilities, the defendants' illegal activities undermine public confidence in the administration of the federal tax system and encourage noncompliance with the internal revenue laws.

123. The defendants' illegal conduct also causes intangible harm to honest tax return preparers, because the defendants gain an unfair competitive advantage over tax return preparers who do not fraudulently underreport their customers' tax liabilities and who as a result may have fewer customers.

**COUNT I: INJUNCTION UNDER 26 U.S.C. § 7407 FOR  
VIOLATION OF 26 U.S.C. § 6694 and § 6695**

124. The United States incorporates by reference the allegations in paragraphs 1 through 123.

125. A court is authorized to enjoin an income tax return preparer who engages in conduct subject to penalty under Code sections 6694 or 6695 or subject to any criminal penalty under the Code, pursuant to 26 U.S.C. § 7407.

126. Code section 7701(a)(36) defines a "tax return preparer" as a person who prepares for compensation, or who employs one or more persons to prepare for compensation, any return or a substantial portion thereof.

127. The defendants are tax return preparers within the meaning of section 7701(a)(36).

128. Code 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 properly disclosed or was frivolous.

129. Code 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.

130. Code Section 6695(b) penalizes a tax return preparer for failing to sign tax returns as the preparer.

131. Code Section 6695(c) penalizes a tax return preparer for failing to furnish her identifying number on tax returns.

132. In violation of Code section 6694(a), the defendants prepared returns for customers that understated their customers' tax liabilities and that they knew or should have known contained positions for which there was no substantial authority or for which there was no reasonable basis.

133. In violation of Code section 6694(b), the defendants willfully prepared tax returns for customers that they knew contained incorrect filing statuses, fabricated child tax credits and additional child tax credits, and false Schedule C income.

134. In violation of Section 6695(b) and (c), Jasmine Jackson and Mary Jackson failed to sign and furnish their identifying number on all the returns they prepared.

135. Anything less than a permanent injunction and complete bar on the preparation of tax returns is unlikely to stop the defendants from preparing fraudulent tax returns. The defendants have shown flagrant disregard for the internal revenue laws. Moreover, the defendants have continued their fraudulent activity, despite receiving notice of the IRS's investigations into their fraudulent activity. There is a high likelihood that they will continue their schemes if they are merely barred from filing improper returns.

**COUNT II: INJUNCTION UNDER 26 U.S.C. § 7408 FOR  
VIOLATION OF 26 U.S.C. § 6701**

136. The United States incorporates by reference the allegations in paragraphs 1 through 133.

137. 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.

138. Code section 6701 penalizes any person who (1) 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) 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) knows that such portion (if so used) would result in an understatement of the liability for tax of another person.

139. The defendants have engaged in conduct subject to penalty under Code section 6701 by preparing and filing fraudulent tax returns on behalf of customers who obtain unwarranted refunds as a result.

140. In violation of Code section 6701, the defendants have prepared returns that they knew or had reason to know would be used as to material matters under federal tax law and that they knew would result in understatements of customers' tax liability.

141. The schemes the defendants have used have caused and continue to cause substantial harm to the Government by fraudulently reducing customers' reported tax liabilities, inducing the IRS to issue fraudulent refunds, and obstructing the IRS's efforts to administer federal tax laws.

142. The magnitude of the lost tax revenue caused by the defendants' fraudulent conduct is substantial. As discussed above, the known tax loss to the government is more than \$2.2 million a year.

143. The United States also is harmed because the IRS must continually devote its limited resources to detecting and examining inaccurate returns filed by the defendants, and to attempting to assess and collect unpaid taxes from her customers.

144. An injunction against Long, Warnock, Jasmine Jackson, and Mary Jackson is necessary and appropriate to prevent the recurrence of their conduct, subject them to penalty under Code section 6701, and prevent them from engaging in any other conduct subject to penalty under the Internal Revenue Code.

**COUNT III: INJUNCTION UNDER I.R.C. § 7402(A) FOR UNLAWFUL INTERFERENCE WITH ENFORCEMENT OF THE INTERNAL REVENUE LAWS AND APPROPRIATENESS OF INJUNCTIVE RELIEF**

145. The United States incorporates by reference the allegations in paragraphs 1 through 142.

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

147. Code 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.

148. The defendants’ activities described above substantially interfere with the enforcement of the internal revenue laws because their preparation and filing of numerous fraudulent tax returns resulted in customers not paying their true federal tax liabilities and receiving tax refunds to which they were not entitled.

149. An injunction prohibiting the defendants from preparing or assisting in the preparation of tax returns is needed to stop them from preparing or filing fraudulent

tax returns and to prohibit them from otherwise interfering with the proper administration and enforcement of the internal revenue laws now and in the future.

150. Given that the defendants continued their misconduct despite investigations by the IRS, the defendants are likely to continue to engage in illegal conduct in the future unless enjoined by this Court.

151. If the defendants are not enjoined, the United States will suffer irreparable harm from the underpayment of taxes and the use of resources to enforce the internal revenue laws.

152. The public interest would be advanced by enjoining the defendants because an injunction will stop their illegal conduct and stop the harm that conduct is causing the United States Treasury and the public.

153. An injunction under Section 7402 is necessary and appropriate, and the United States is entitled to injunctive relief under Section 7402. The injunction, as detailed below, should bar the defendants, and anyone acting in concert with them, from preparing or filing tax returns for others, representing customers before the IRS, and from otherwise engaging in conduct that interferes with the proper administration of the internal revenue laws.

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

A. That the Court find that all the defendants have continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694, that Mary Jackson and Jasmine Jackson have continually and repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6695, and that an injunction merely prohibiting conduct subject to penalty under § 6694 and § 6695 would not be sufficient to prevent the defendants' interference with the proper administration of the tax laws, and that the defendants should be, pursuant to 26 U.S.C. § 7407, permanently enjoined from acting as income tax return preparers;

B. That the Court find that the defendants 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;

C. That the Court find that the defendants have interfered 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) under the Court's inherent equity powers;

D. That this Court, pursuant to 26 U.S.C. §§ 7402(a), 7407, and 7408, enter a permanent injunction enjoining the defendants, their officers, agents, servants, employees, and attorneys, and anyone in active concert or participation with them or with them, from directly or indirectly,;

1. Preparing or filing, or assisting in preparing or filing, any federal tax return, amended return, or other federal tax document or form for any person other than themselves;
2. Representing any person before the IRS, or advising, assisting, counseling, or instructing anyone about preparing a federal tax return;
3. Having an ownership interest in an entity that is in the business of preparing federal tax returns or other federal tax documents or forms for other persons or representing any person before the IRS, or advising, assisting, counseling, or instructing anyone about preparing a federal tax return;
4. Engaging in conduct subject to penalty under 26 U.S.C. §§ 6694, 6695, or 6701;
5. Maintaining, assigning, holding, using, or obtaining a Preparer Tax Identification Number (PTIN) or an Electronic Filing Identification Number (EFIN); and
6. Engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

E. That the Court, pursuant to 26 U.S.C. § 7402(a), 7407, and 7408, enter an order requiring each defendant to produce to counsel for the United States, within

thirty days of the Court's order, a list that identifies by name, social security number, address, e-mail address, and telephone number and tax period(s) all persons for whom the defendant prepared federal tax returns or claims for a refund, for tax years beginning in 2011 and continuing through this litigation;

F. That the Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter an order requiring the defendants, within 30 days of receiving the Court's order, to contact by U.S. mail and, if an e-mail address is known, by e-mail, all persons for whom they have prepared federal tax returns, amended tax returns, or claims for refund since January 1, 2011, as well as all employees or independent contractors they have had since January 1, 2011, and to inform them of the permanent injunction entered against them by sending each of them a copy of the order of permanent injunction, with no other enclosures unless approved by the Department of Justice or the Court;

G. That the Court, pursuant to I.R.C. §§ 7402(a), 7407, and 7408, enter an order requiring the defendants, within 45 days of receiving the Court's order, to file a declaration, signed under penalty of perjury, confirming that they have received a copy of the Court's order and complied with the terms described in Paragraphs E and F of this Complaint.

H. That this Court permit the United States to conduct post-judgment discovery to ensure the defendants' compliance with the permanent injunction; and

I. That this Court retain jurisdiction over the defendants and over this action to enforce any injunction entered against them; and

J. That this Court grant the United States such other relief as the Court deems appropriate.

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