

IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF ILLINOIS

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.)
)
 SMART TAX, INC., ✓)
 d/b/a Jackson Hewitt Tax Service,)
 ASK TAX, INC., ✓)
 d/b/a Jackson Hewitt Tax Service,)
 FARRUKH SOHAIL, ✓)
 SAHER SOHAIL, ✓)
 REHAN BADR,)
 TLEASS GAYLES,)
 TIFFANY GEE,)
 SHEWANA ISSAC,)
 FRANCHESTA TYSON,)
 SHYEATTA JACKSON,)
 FRANK BELLMON,)
 ANGELA STEPHENS,)
 YVONNE AMILL,)
 JEANEEN HATTER,)
 ASLEAN BARNES, and)
 LATRICE HUSTON,)
)
 Defendants.)

Case No. 1:07-cv-01802

**JUDGMENT AND ORDER OF PERMANENT INJUNCTION AGAINST
DEFENDANTS GAYLES, JACKSON, HATTER, BARNES, AND HUSTON**

Plaintiff United States filed its Complaint for Permanent Injunction and Other Relief under sections 7402, 7407, and 7408 of the Internal Revenue Code (26 U.S.C.) on April 2, 2007, seeking to bar defendants Tleass Gayles, Shycatta Jackson, Jeaneen Hatter, Aslean Barnes, and Latrice Huston from preparing income tax returns for others. The United States personally

served these defendants with process on May 1, 2007, and the clerk entered their default on May 21, 2007, when they failed to answer the complaint or otherwise appear in this action.

Plaintiff has moved for the entry of a default judgment against these defendants pursuant to Fed.R.Civ.P. 55(b)(2). Plaintiff's motion is supported by the declaration of IRS revenue agent Chlimon Boutros. In accordance with Fed.R.Civ.P. 65(d), the findings of fact and reasons for the entry of a permanent injunction against Gayles, Jackson, Hatter, Barnes, and Huston are set forth below.

Findings of Fact

1. This Court has jurisdiction over the parties and subject matter of this case.
2. Defendants Gayles, Jackson, Hatter, Barnes, and Huston were employed by Smart Tax, Inc., a tax-preparation firm that operates under a franchise agreement with Jackson Hewitt Tax Services, Inc.
3. Smart Tax, Inc. prepared at least 14,343 federal income tax returns in calendar year 2006.
4. The IRS examined 121 randomly selected federal income tax (Form 1040) returns that Smart Tax, Inc. prepared for the 2005 tax year. Approximately 73% of the returns contained errors. The average tax understatement per return is \$3,672.
5. Defendant Gayles has prepared blatantly fraudulent tax returns for customers by misapplying IRS § 6421 to claim the federal Fuel Tax Credit.

6. Defendants Jackson, Barnes, and Huston used hundreds of phony Forms W-2 to prepare income tax returns based on frivolous and unrealistic positions, which they knew would result in understatements of tax.

7. Defendants Gayles and Barnes knowingly directed and/or prepared returns using false filing status in order to reduce reported tax liability or claim higher credits.

8. Defendant Jackson has sold social security numbers to Smart Tax, Inc. customers in order to allow such customers to claim phony dependents on tax returns.

9. Defendants Gayles, Jackson, Hatter, Barnes, and Huston have continually and repeatedly ignored the implications of suspicious, fraudulent, and bogus information provided by customers seeking the Earned Income Tax Credit (EITC), and have failed to make reasonable inquiries when presented with fraudulent, bogus, suspicious, incomplete, inconsistent, and/or incorrect information.

10. Defendants Gayles, Jackson, Hatter, Barnes, and Huston have knowingly prepared federal income tax returns containing false claims for the EITC, based on erroneous (and often fraudulent) information, including false Forms W-2, improper filing status, and bogus dependent information.

11. Defendants Jackson and Huston charged customers additional fees or kickbacks in cash (on top of the normal fees) to prepare such fraudulent returns and enlarge or fabricate customers' refunds.

12. Defendants Jackson and Barnes prepared and filed federal income tax returns with Schedules C that they knew or had reason to know contained false, suspicious, and unrealistic information.

13. Defendant Hatter has knowingly prepared a federal income tax return that fabricated employee business expenses and failed to report gambling income.

14. These facts show that Defendants Gayles, Jackson, Hatter, Barnes, and Huston are not likely to voluntarily cease understating their customers' federal income tax liabilities.

15. Defendants Gayles, Jackson, Hatter, Barnes, and Huston interfered with the enforcement of the internal revenue laws by continually and repeatedly understating their customers' tax liabilities. This conduct is sufficient to justify relief under IRC § 7402. Defendant Gayles, Jackson, Hatter, Barnes, and Huston's continued and repeated understatement of their customers' tax liabilities unduly burdens the IRS and hurts their customers, who end up having to pay additional taxes and statutory interest.

16. The Government has been irreparably harmed by the loss of tax revenue due to the understatements of liability, and by the drain on administrative resources caused by the need to examine a large number of returns prepared by defendants. The defendants' customers have also been harmed because many are now at risk of having to pay back taxes with interest.

17. The balance of the harm in this case favors the entry of an injunction.

18. The United States is likely to succeed on the merits.

19. These facts support the issuance of an injunction under IRC § 7402 and § 7407, given the strong public interest in the fair administration of the federal tax laws and the proper and efficient collection of taxes to support the federal government and its programs and policies.

20. Defendants Gayles, Jackson, Hatter, Barnes, and Huston have not answered the Complaint or otherwise appeared in this action. The clerk entered default on May 21, 2007.

Conclusions of Law

1. Based on the factual findings and evidence presented by the United States that the defendant has not opposed, the Court finds that Defendants Gayles, Jackson, Hatter, Barnes, and Huston have continually and repeatedly engaged in conduct subject to penalty under IRC §§ 6694, 6695, 6700, and 6701 and have continually and repeatedly engaged in other fraudulent or deceptive conduct substantially interfering with the administration of the tax laws. The Court also finds that a narrower injunction prohibiting only this specific misconduct would be insufficient.

2. Accordingly, the Court finds that Defendants Gayles, Jackson, Hatter, Barnes, and Huston should be permanently enjoined under IRC §§ 7407 and 7408.

3. The Court finds that Defendants Gayles, Jackson, Hatter, Barnes, and Huston have engaged in conduct subject to penalty under IRC §§ 6700 and 6701, and that injunctive relief is appropriate to prevent the recurrence of that conduct.

4. The Court finds that Defendants Gayles, Jackson, Hatter, Barnes, and Huston have engaged in conduct that interferes with the enforcement of the internal revenue laws, and that the United States and the public will suffer irreparable harm in the absence of a permanent injunction. The public interest will be served by granting a permanent injunction.

5. Accordingly, the Court finds that Defendants Gayles, Jackson, Hatter, Barnes, and Huston should be permanently enjoined under I.R.C. § 7402(a) and § 7407.

Order


Based on the foregoing factual findings, and for good cause shown, the Court orders that the Defendants Gayles, Jackson, Hatter, Barnes, and Huston and their agents, servants, employees, and those persons in active concert or participation with ^{them} who receive actual notice of this Order, are enjoined from:

- a. acting as federal tax return preparers or assisting or directing the preparation or filing of federal tax returns for anyone other than themselves,
- b. instructing, advising, or assisting anyone to understate their federal tax liabilities on a federal tax return or form;
- c. engaging in any other activity subject to penalty under IRC § 6694;
- d. engaging in any activity subject to penalty under IRC § 6695; and
- e. engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

The United States is permitted to engage in post-judgment discovery to ensure compliance with this Order.

The Court orders will retain jurisdiction over this action for purposes of implementing and enforcing this Order and any additional orders necessary and appropriate to the public interest.

IT IS SO ORDERED this 18th day of September, 2007.



BLANCHE M. MANNING
UNITED STATES DISTRICT JUDGE