

IN THE UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
ILIANA SORENSEN)
a/k/a ILIANA GAJAFSKY,)
individually and)
d/b/a SORENSEN TAX PREP,)
)
Defendant.)

Case No. 1:10-cv-23836

**ORDER GRANTING MOTION FOR FINAL DEFAULT
JUDGMENT AND PERMANENT INJUNCTION**

Upon motion by Plaintiff, United States of America, the Court makes the following findings of fact and conclusions of law and enters this final judgment and permanent injunction against Defendant Iliana Sorensen, also known as Iliana Gajafsky, both individually and doing business as Sorensen Tax Prep.

Findings of Fact

1. Sorensen resides in and does business in Hialeah, Florida.
2. Sorensen and her business, Sorensen Tax Prep, prepare tax returns for others in exchange for compensation.
3. In 2009, Sorensen, individually and doing business as Sorensen Tax Prep, prepared and filed fraudulent tax returns (Forms 1040 and 1040X), and other frivolous documents on behalf of others, in exchange for compensation, and for herself.

4. On the returns she prepares Sorensen fabricates the amount of tax withheld on behalf of her customers. The inflated tax withholding reported to the IRS on her customers' returns is the basis of erroneous refund claims.

5. Often Sorensen describes the withholding as "1099 withholding."

6. Sorensen prepares and/or files false Forms 1099-OID and 1099-A in support of the fraudulent returns she prepares. On these fabricated Forms 1099, Sorensen reports large amounts of interest income purportedly paid to her customers along with large amounts of tax supposedly withheld on behalf of her customers.

7. Sorensen transmits fabricated Forms 1099-A and 1099-OID through the IRS system for "Filing Information Returns Electronically" (the "FIRE system") in support of other fraudulent refund claims on returns that were nominally self-prepared by the taxpayer.

8. The Forms 1040 that Sorensen prepares and/or files report substantial interest income and contain inflated claims for withholding taxes.

9. The returns that Sorensen, while doing business as Sorensen Tax Prep, prepares and/or files fail to properly report her customers' income and tax liabilities.

10. Consequently, her customers fail to file proper federal income tax returns and falsely claim large tax refunds to which they are not entitled.

11. For example, Sorensen, while doing business as Sorensen Tax Prep, prepared a 2008 Form 1040 on behalf of Juana M. Gonzalez who resides in Miami, Florida. On Gonzalez's 2008 federal income tax return, Sorensen falsely claimed that Gonzalez earned interest income in 2008 in the amount of \$987,500 and falsely claimed that \$888,750 in federal income tax had been withheld on Gonzalez's behalf. The taxpayer attached a Schedule B listing multiple

financial institutions as the payers of interest totaling \$987,500. As a result of these false claims, Gonzalez's return claimed an erroneous refund of \$561,232 to which she was not entitled. Attached to the Form 1040 were three Forms 1099-OID reporting over \$900,000 in fabricated OID and \$888,750 in fabricated withholding.

12. Similarly, in 2009, Sorensen, while doing business as Sorensen Tax Prep, prepared a 2008 Form 1040 on behalf of Ana Stubbert of Miami, Florida. Sorensen falsely reported \$1,069,240 as taxable interest income and falsely reported \$1,069,220 as federal tax withheld on her behalf. As a result of these false claims, Stubbert's return claimed a fraudulent refund in the amount of \$719,113.

13. In 2009, Sorensen prepared and filed a frivolous 2008 Form 1040 for herself. Sorensen falsely reported \$388,000 as taxable interest income and falsely reported \$393,127 as federal tax withheld on her behalf. As a result of these false claims, Sorensen claimed a fraudulent refund in the amount of \$263,299. Sorensen attached a Schedule B listing multiple financial institutions as the payers of interest totaling \$388,000. Sorensen fabricated Forms 1099-OID from these financial institutions that reported OID in excess of \$300,000 purportedly paid to her.

14. In June 2009, the IRS notified Sorensen that it rejected her refund claim for the 2008 tax year. In response to this notice, Sorensen stated in a letter to the IRS that the IRS actions were unlawful and that she would not accept the IRS classifying her return or her correspondence as frivolous because she was not concerned or interested in its opinion.

Harm Caused by Sorensen's Misconduct

15. Sorensen, individually and doing business as Sorensen Tax Prep, prepared tax returns on behalf of her customers that claimed fraudulent tax refunds. Many of the refund requests on these fraudulent returns exceeded \$300,000 and one return requested a refund for \$719,113. The inflated tax withholding reported to the IRS on her customers' returns exceeded \$10 million and the erroneous refund claims based on that withholding exceeded \$7 million. The IRS has mistakenly issued at least \$1.5 million in erroneous refunds as a result of Sorensen's fraudulent return preparation.

16. In addition to this harm, the purportedly "self-prepared" returns that rely on fabricated Forms 1099 that Sorensen transmitted to the IRS erroneously requested refunds exceeding \$11 million. One of these returns requested a refund for \$690,898. The IRS has mistakenly issued \$1,843,748 in erroneous refunds for these returns.

17. The scheme employed by Sorensen is part of a trend among tax defiers and others to file frivolous tax returns and Forms 1099-OID with the IRS and courts in an attempt to escape their federal tax obligations. Many of these individuals rely on frivolous "redemption" theories to support their claims. Promoters of redemption theories claim that the United States government maintains for each taxpayer a secret treasury account worth millions of dollars. By sending government officials and banks unsolicited documents and various IRS forms, promoters claim that this nonexistent secret treasury account can be used to satisfy a person's debts and liabilities, including tax liabilities.

18. In reality, Sorensen's scheme fraudulently reports that tax was withheld on behalf of her customers and then claims refunds based on that non-existent withholding.

19. The returns that Sorensen submits on behalf of her customers falsely claim that her customers' purported creditors withheld the total amount listed on fraudulent Forms 1099-OID attached to the tax returns. The amounts listed on the Forms 1099-OID are apparently based on the total amount of debt (commonly a mortgage) the customer owes to his/her creditor.

20. In reliance on Sorensen's services, her customers have failed to file proper federal income tax returns which has either deprived her customers of proper tax refunds to which they may have been entitled or deprived the United States of additional tax revenue owed by Sorensen's customers. Her customers may also be subject to penalties for erroneous refund claims.

21. Sorensen's fraudulent tax return preparation has resulted in the IRS issuing over \$1.5 million in erroneous refunds to her customers.

22. In addition to the lost revenue due to the failure of Sorensen's customers to file proper income tax returns and the issuance of erroneous refunds, the government has also incurred the expense of conducting the investigation of Sorensen's fraudulent return preparation and responding to and processing the frivolous documents Sorensen submitted to the IRS.

23. The false Forms 1099-OID submitted with Sorensen's returns may also result in the assessment of erroneous penalties against creditors identified in the false Forms 1099-OID for failing to timely submit those forms to the IRS.

Conclusions of Law

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

25. Venue is proper in this Court under 28 U.S.C. § 1391.

26. Where, as here, default has been entered, the defendant loses her standing before the Court, as well as her right to present evidence on issues other than unliquidated damages. On entry of default, “the well-pleaded allegations of the complaint relating to liability are taken as true.” Moreover, the Court may take judicial notice of its own docket. The effect of the Court’s entry of default in this case on January 10, 2011, therefore, is to preclude the defendant from contesting the allegations in the Complaint.

27. Internal Revenue Code § 7407 authorizes the United States to seek an injunction against any tax return preparer who has engaged in any “fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws,” or who has “engaged in any conduct subject to penalty under section 6694 or 6695.”

28. If a return preparer’s misconduct is continual or repeated and the court finds that a narrower injunction (*i.e.*, prohibiting specific enumerated conduct) would not be sufficient to prevent the preparer’s interference with the proper administration of federal tax laws, the court may enjoin the person from further acting as a return preparer.

29. Sorensen has repeatedly prepared and filed with the IRS false and frivolous federal income tax returns on behalf of her customers.

30. As a result, Sorensen has repeatedly engaged in fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws.

31. Sorensen repeatedly and continually prepared and filed federal tax returns that understate her customers’ tax liabilities as a result of unreasonable and frivolous claims and has thus engaged in conduct subject to penalty under 26 U.S.C. § 6694.

32. Sorensen has repeatedly and continually prepared and filed federal tax returns that understate her customers' tax liabilities as a result of Sorensen's willful attempt to understate her customers' tax liabilities and/or Sorensen's reckless or intentional disregard of internal revenue laws and regulations.

33. Injunctive relief is appropriate to stop Sorensen's brazen scheme to defraud the IRS because, absent an injunction, Sorensen is likely to continue her defiance toward the IRS to prepare false federal tax returns and engage in other misconduct of the type described in the United States' Complaint.

34. Sorensen should be permanently enjoined under 26 U.S.C. § 7407 from acting as a federal tax return preparer because a more limited injunction would be insufficient to stop her from interfering with the proper administration of the tax laws.

35. I.R.C. § 7408 authorizes a district court to enjoin any person from, *inter alia*, engaging in conduct subject to penalty under I.R.C. § 6700 or 6701 if injunctive relief is appropriate to prevent recurrence of that conduct.

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

37. Sorensen prepared and aided or assisted in the preparation and filing of federal income tax returns and other documents that resulted in the understatement of her customers' tax liabilities.

38. As a result, Sorensen engaged in conduct subject to penalty under 26 U.S.C. § 6701.

39. Sorensen has refused to cooperate with the IRS's investigation and has shown no remorse for her actions.

40. Injunctive relief under 26 U.S.C. § 7408 is appropriate to prevent recurrence of Sorensen's penalty conduct.

41. As a result of Sorensen's misconduct, her customers failed to file proper tax returns.

42. Sorensen's conduct results in irreparable harm to the United States for which the United States has no adequate remedy at law.

43. Sorensen's conduct interferes with the proper administration of the Internal Revenue Code because it results in hundreds of frivolous filings with the IRS that harass public officials and hinder the IRS's ability to determine the correct tax liabilities of her customers.

44. Unless enjoined by this Court, Sorensen will continue to promote and administer her tax-fraud scheme.

ORDER

IT IS HEREBY ORDERED pursuant to 26 U.S.C. §§ 7407 and 7408 that defendant Iliana Sorensen and her representatives, agents, servants, employees, attorneys, independent contractors, anyone in active concert or participation with her, are **PERMANENTLY ENJOINED** from directly or indirectly;

- (1) Preparing or filing, or assisting in, or directing the preparation or filing of any federal tax return, amended return, IRS Form 1099, 1099-OID, 1096,

Schedule B, or any other tax-related documents or forms for any other person or entity;

- (2) Engaging in any other activity subject to criminal penalty under the Internal Revenue Code or subject to penalty under 26 U.S.C. §§ 6694 or 6695;
- (3) Engaging in other fraudulent or deceptive conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws;
- (4) Organizing or selling tax shelters, plans or arrangements that advise or assist taxpayers to attempt to evade the assessment or collection of such taxpayers' correct federal tax;
- (5) Engaging in any other activity subject to penalty under 26 U.S.C. § 6700, including organizing or selling a plan or arrangement and making a statement regarding the excludability of income or securing of any other tax benefit by participating in the plan that defendant knows or has reason to know is false or fraudulent as to any material matter;
- (6) Engaging in any other activity subject to penalty under 26 U.S.C. § 6701;
- (7) Directly or indirectly organizing, promoting, marketing, or selling any plan or arrangement that advises or encourages taxpayers to attempt to violate internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities, including promoting, selling, or advocating the

use of the “commercial redemption” theory and false Forms 1099-OID based on the false claims that:

- I. Taxpayers can draw on the Treasury of the United States to pay their tax debt or other debt using IRS Forms 1099, 1099-OID, Schedule B, tax returns, or other false IRS documents;
 - ii. Taxpayers can issue false Forms 1099-OID on behalf of a creditor and report the amount on the false Form 1099 as federal income taxes withheld on their behalf; and
 - iii. Taxpayers have an account with the Treasury Department from which they can draw funds through a process that is often called “redemption” or “commercial redemption”;
- (8) Preparing her own federal income tax returns or amended returns claiming false income tax withholding and refunds, whether or not they are based on amounts shown in false Forms 1099-OID issued to creditors, false Forms Schedule B, or other IRS forms or documents;
 - (9) Otherwise aiding and abetting the filing of frivolous Forms 1040, 1040X, 1099, 1099-OID, and Schedules B for herself or others; and
 - (10) Representing anyone before the IRS.

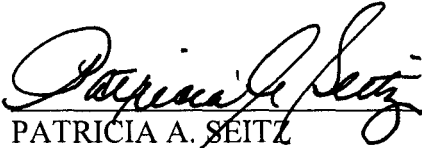
IT IS FURTHER ORDERED that within 30 days Sorensen contact by mail (and also by e-mail, if an address is known) all persons for whom she has prepared returns since January 1, 2007, or who have purchased any products, services or advice associated with the false or

fraudulent tax scheme described in this order, enclosing a copy of this order, and file a certificate with the Court within 45 days stating under penalty of perjury that she has done so.

IT IS FURTHER ORDERED that Sorensen provide to counsel for the United States within 30 days a list of all persons for whom she has prepared federal income tax returns, amended returns, or other tax-related documents, and all persons who have purchased any products, services or advice from defendant, since January 1, 2007.

IT IS FURTHER ORDERED that this case is CLOSED.

DONE AND ORDERED in Miami, Florida, this 25th day of March, 2011.



PATRICIA A. SEITZ
UNITED STATES DISTRICT JUDGE

cc: All counsel of record