

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.) CIVIL ACTION NO.:
)
 SNEZANA BERBIC,)
 f/k/a Snezana Kozarac,)
)
 Defendant.)

COMPLAINT FOR PERMANENT INJUNCTION

At the request of the Secretary of the Treasury and at the direction of the Attorney General of the United States, the United States of America, by its attorney, Kevin J. O'Connor, United States Attorney for the District of Connecticut, brings this action pursuant to 26 U.S.C. §§ 7402(a) and 7407 to enjoin defendant Snezana Berbic from:

- a. preparing or assisting in the preparation of any federal income tax return, or any other federal tax return, for any other person or entity;
- b. engaging in any conduct subject to penalty under 26 U.S.C. § 6694;
- c. engaging in any conduct subject to penalty under 26 U.S.C. § 6695; and
- d. engaging in any fraudulent or deceptive conduct which substantially interferes with the proper administration or enforcement of the internal revenue laws.

In support thereof, the United States alleges as follows:

Jurisdiction and Venue

1. Jurisdiction over this action is conferred upon this Court under 28 U.S.C. §§ 1340 and 1345 and 26 U.S.C. §§ 7402(a) and 7407.

Venue is proper in the United States District Court for the District of Connecticut pursuant to 28 U.S.C. § 1391(b) and 26 U.S.C. § 7407(a).

Defendant

Snezana Berbic resides in Hartford, Connecticut.

Defendant's Tax Preparation Activities

Snezana Berbic is an income tax return preparer within the meaning of 26 U.S.C. § 7701(a)(36).

Berbic is the owner of Sneza's Tax Service and Bureau, LLC, a/k/a Sneza's Income Tax, a tax return preparation firm with an office located in Hartford, Connecticut.

From 2002 through 2006, Berbic worked as a self-employed income tax return preparer for her business, in which capacity she prepared federal income tax returns for individual taxpayers.

From 2002 through 2006, Berbic prepared individual income tax returns for the 2001 through 2005 tax years on which she understated taxpayers' federal income tax liabilities due to undisclosed and frivolous positions which Berbic knew or should have known did not have a realistic possibility of being sustained on the merits.

From 2002 through 2006, Berbic prepared individual income tax returns for the 2001 through 2005 tax years on which she willfully or recklessly understated taxpayers' federal income tax liabilities.

Examples of the methods employed to understate taxpayers' federal income tax liabilities on the individual income tax returns for the 2001 through 2005 tax years prepared by Berbic include:

- a. claiming a false filing status;
 - b. claiming false dependent exemptions;
 - c. claiming fictitious rental real estate losses;
 - d. claiming deductions for fictitious or inflated student loan interest;
 - e. claiming deductions for fictitious or inflated medical expenses;
 - f. claiming deductions for fictitious or inflated charitable contributions;
 - g. claiming deductions for fictitious or inflated unreimbursed employee expenses for work clothes and mileage;
 - h. claiming fictitious or inflated education credits; and
 - i. claiming a fictitious or inflated earned income credit.
10. From 2002 through 2006, Berbic prepared individual income tax returns for the 2001 through 2005 tax years for which she failed to comply with the due diligence requirements imposed by Treasury regulations with respect to determining the eligibility for, or the amount of, the earned income credit.
 11. From 2002 through 2006, Berbic's tax return preparation business was primarily conducted out of her Hartford, Connecticut office location.
 12. In addition to conducting her tax return preparation business out of her Hartford, Connecticut office location, Berbic traveled to western New York and throughout New England and prepared income tax returns for residents of New York, Maine, New Hampshire, Vermont, Massachusetts, and Rhode Island.
 13. From 2002 through 2006, the majority of Berbic's federal income tax return customers were immigrants from Bosnia and Croatia and the descendants of immigrants from

Bosnia and Croatia.

Defendant's Knowledge of the Illegality of her Conduct

14. Berbic knows or should know of the illegality of her conduct, as alleged in this complaint.
15. Berbic was self-employed as an income tax return preparer from 2002 through 2006 and, therefore, should be knowledgeable concerning tax laws.

Prior to Berbic's self-employment as an income tax return preparer, she completed an income tax preparation course and worked for approximately one year as an income tax preparer for a commercial company and, therefore, should be knowledgeable concerning tax laws.

Harm to the United States, the Public, and Defendant's Customers

17. Between 2002 and 2006, Berbic prepared over 5,000 federal income tax returns.
18. The returns prepared by Berbic understating her customers' tax liabilities have resulted in customers receiving tax refunds to which they were not legally entitled.

As a result of Berbic's preparation of income tax returns understating her customers' tax liabilities, the United States has suffered significant tax losses.

20. Examinations of income tax returns prepared by Berbic are ongoing throughout New England and in New York.

An examination of 828 income tax returns prepared by Berbic for the 2002 through 2005 tax periods revealed a total tax liability understatement of \$1,268,723.00 for just those returns.

As a result of Berbic's preparation of income tax returns understating her customers' tax liabilities, the Internal Revenue Service is forced to devote its limited resources to

identifying and recovering the lost tax revenues from her customers, thereby reducing the level of service that the Internal Revenue Service can give to honest taxpayers.

23. Some of the revenue losses caused by Berbic's preparation of income tax returns understating her customers' tax liabilities, may never be recovered, resulting in permanent loss.
24. As a result of Berbic's preparation of income tax returns understating her customers' tax liabilities, some of her customers have had to undergo audits and have incurred unanticipated financial burdens due to their liability for tax beyond the amount reported on their original returns, plus statutory interest.
25. As a result of Berbic's preparation of returns understating her customers' tax liabilities, some of her customers will have to file amended returns or undergo audits and will incur unanticipated financial burdens due to their liability for tax beyond the amount reported on their original returns, plus statutory interest.

Count I: Injunction under 26 U.S.C. § 7407

26. The United States incorporates by reference the allegations contained in paragraphs 4 through 25 above.
27. Section 7407 of the Internal Revenue Code provides that a court may enjoin an income tax return preparer from engaging in, among other things:
 - a. **conduct subject to penalty under Section 6694 of the Internal Revenue Code (understatement of a taxpayer's liability due to an unrealistic position, willful understatement of a taxpayer's liability, or understatement of a taxpayer's liability due to a reckless or intentional disregard of the rules or regulations);**

- b. conduct subject to penalty under Section 6695 of the Internal Revenue Code (includes failure to comply with due diligence requirements imposed by Treasury regulations with respect to determining eligibility for, or the amount of, the earned income credit); or
- c. any fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws,

if the court finds that the income tax preparer has engaged in such conduct and that injunctive relief is appropriate to prevent the recurrence of such conduct. Section 7407 further provides that if the court finds that an income tax return preparer has continually or repeatedly engaged in such conduct and that an injunction prohibiting such conduct would not be sufficient to prevent the tax return preparer's interference with the proper administration of the Internal Revenue Code, the court may enjoin the preparer from acting as a federal income tax return preparer.

- 28. Berbic has continually or repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694(a) by preparing income tax returns in which she understated taxpayers' liabilities based on undisclosed, frivolous positions which she knew or reasonably should have known did not have a realistic possibility of being sustained on the merits.
- 29. Berbic has continually or repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694(b) by preparing income tax returns in which she understated taxpayers' liabilities willfully or in reckless or intentional disregard of rules or regulations.
- 30. Berbic has continually or repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6695(g) by preparing income tax returns for which she fails to comply with

the due diligence requirements imposed by Treasury regulations with respect to determining eligibility for, or the amount of, the earned income credit.

31. Berbic has continually or repeatedly engaged in fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws by preparing income tax returns in which she understated taxpayers' liabilities by claiming certain filing statuses, exemptions, supplemental income or losses, itemized deductions, education credits, and earned income credits to which said taxpayers were not entitled.
32. Injunctive relief against Berbic is appropriate to prevent the recurrence of the conduct described in paragraphs 28 through 31.
33. An injunction merely prohibiting the conduct described in paragraphs 28 through 31 would not be sufficient to prevent Berbic's interference with the proper administration of the Internal Revenue Code.

Count II: Injunction under 26 U.S.C. § 7402

34. The United States incorporates by reference the allegations contained in paragraphs 4 through 33 above.
35. Section 7402 of the Internal Revenue Code authorizes the court to issue orders of injunction as may be necessary or appropriate for the enforcement of the Internal Revenue laws.
36. Through the conduct described above, Berbic has engaged in conduct that substantially interferes with the administration and enforcement of the internal revenue laws. Her conduct causes significant injury to the United States. Injunctive relief against Berbic is appropriate to prevent the recurrence of such conduct.

WHEREFORE, plaintiff United States of America requests the following relief:

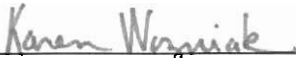
- A. That the Court find that Berbic continually or repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694 and under 26 U.S.C. § 6995, and in fraudulent or deceptive conduct which substantially interferes with the proper administration of the Internal Revenue laws; that injunctive relief is appropriate under 26 U.S.C. § 7407 to prevent Berbic from engaging in such conduct; that an injunction only prohibiting such conduct would not be sufficient to prevent Berbic's interference with the proper administration of the internal revenue laws; and that an injunction under 26 U.S.C. § 7407 to prevent Berbic from acting as an income tax return preparer is appropriate;
- B. That the Court find that Berbic engaged in conduct that substantially interferes with the administration and enforcement of the internal revenue laws and that injunctive relief is appropriate under 26 U.S.C. § 7402 to prevent Berbic from engaging in such conduct.
- C. That the Court enter a permanent injunction pursuant to 26 U.S.C. §§ 7402 and 7407 against Berbic and any persons acting in concert with Berbic enjoining them from:
 - a. preparing or assisting in the preparation of any federal income tax return, or any other federal tax return, for any other person or entity;
 - b. engaging in any conduct subject to penalty under 26 U.S.C. § 6694;
 - c. engaging in any conduct subject to penalty under 26 U.S.C. § 6695; and
 - d. engaging in any fraudulent or deceptive conduct which substantially interferes with the proper administration or enforcement of the internal revenue laws;
- D. That the Court enter an order permitting the government to engage in post-judgment

discovery in order to monitor Berbic's compliance with the injunction against her; and

- E. That the Court grant the United States such other and further relief as the Court deems just and proper.

Respectfully submitted,

KEVIN J. O'CONNOR
United States Attorney


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