

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

| | | |
|------------------------------------|---|----------------|
| UNITED STATES OF AMERICA, |) | |
| |) | |
| Plaintiff, |) | |
| |) | |
| v. |) | Case No. _____ |
| |) | |
| YOLANDA WHITE, Individually, and |) | |
| d/b/a White Professional Services, |) | |
| |) | |
| Defendant. |) | |

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER RELIEF

The plaintiff, the United States of America, alleges against defendant Yolanda White as follows:

1. This is a civil action brought by the United States under Sections 7402(a) and 7407 of the Internal Revenue Code (26 U.S.C.) (“IRC”) to enjoin defendant Yolanda White, and all those in active concert or participation with her, from:

1. acting as a federal tax return preparer or requesting, assisting in, or directing the preparation or filing of federal tax returns for any person or entity other than herself, or appearing as a representative on behalf of any person or organization whose tax liabilities are under examination or investigation by the Internal Revenue Service;
2. preparing or assisting in the preparation or filing of tax returns for others that defendant knows will result in the understatement of any tax liability;
3. understating customers’ tax liabilities as subject to penalty under IRC § 6694;
4. instructing or advising taxpayers to understate their federal tax liabilities;
5. engaging in any other activity subject to penalty under IRC § 6694;

6. engaging in any activity subject to penalty under IRC § 6695; and
7. engaging in other conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

Jurisdiction

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

3. Jurisdiction is conferred on this Court by Sections 1340 and 1345 of Title 28, United States Code, and IRC §§ 7402(a) and 7407.

Defendant

4. Defendant Yolanda White resides in St. Louis, Missouri, within this judicial district, and does business as “White Professional Services.”

Defendant’s Activities

5. White, a school bus driver and commercial tax return preparer, has prepared at least 337 federal income tax returns for others since 2004. The IRS has audited 30 of those returns, and found that every return contained one or more bogus income tax deductions.

6. Before White began preparing federal tax returns for others, she was a professional tax return preparer, and manager, at American Tax Services for six years.

7. On each of the 30 federal income tax returns White prepared that were audited by the IRS, White claimed bogus deductions. These were fabricated or grossly exaggerated income tax deductions on Schedules A and C of her customers’ Form 1040 tax returns, including deductions

for business losses, medical expenses, and hobby expenses, even though her customers did not request such deductions, or provided information supporting deductions in lesser amounts.

8. White also prepared federal income tax returns which claimed a false filing status for the customer, such as claiming “head of household” for customers who did not qualify for that status. She also prepared separate filings for married customers, even though the customers did not request such filings.

9. On the 30 federal income tax returns prepared by White that the IRS audited:

- A. All returns claimed at least one false tax deduction.
- B. All returns understated the customers’ federal income tax liabilities; the average tax understatement per return was \$2,988.
- C. Eleven of the returns claimed false Schedule C deductions.
- D. Twenty-four of the returns claimed false Schedule A deductions.
- E. Two of the returns were falsely marked “self-prepared” and not signed by White as required.

10. Because White is not authorized to electronically file (“e-file”) federal tax returns for others, she used a free program available on the IRS website to electronically file returns for some customers, using the customers’ e-mail addresses in doing so, as though the returns were prepared by the taxpayer. White also prepared some federal tax returns using her own Social Security Number (SSN) as the “paid preparer” Employer Identification Number.

Harm to the Public

11. White's customers have been harmed because they have paid her fees to prepare tax returns that understated their correct federal income tax liabilities, thereby subjecting them to interest and possible penalties.

12. The United States is harmed because White's customers are not reporting and paying their correct tax liabilities. The tax loss resulting from the 30 tax returns prepared by White that the IRS audited is \$89,368.

13. The United States is further harmed because the IRS is forced to devote its limited resources to identifying and recovering those lost tax revenues from White's customers. Moreover, given the IRS's limited resources, identifying and recovering all revenues lost from White's preparation of false and fraudulent returns may be impossible.

14. In addition to harm caused by White's preparation of tax returns that understate her costumers' tax liabilities, White's activities undermine public confidence in the fairness of the federal tax system and encourage noncompliance with the internal revenue laws.

Count I

Injunction Under IRC § 7407

15. The United States incorporates by reference the allegations in paragraphs 1 through 14.

16. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin an income tax preparer from:

1. engaging in conduct subject to penalty under IRC § 6694;
2. engaging in conduct subject to penalty under IRC § 6695;

3. misrepresenting her experience or education as a tax return preparer;
4. guaranteeing a tax refund or allowance of a tax credit; or
5. engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws,

if the court finds that the preparer has engaged in such conduct and injunctive relief is appropriate to prevent recurrence of the conduct. Additionally, if the court finds that a preparer has continually or repeatedly engaged in such conduct, and the court finds that a narrower injunction (*i.e.*, prohibiting only that specific enumerated conduct) would not be sufficient to prevent that person's interference with the proper administration of the internal revenue laws, the court may enjoin the person from acting as a federal income tax return preparer.

17. White has prepared at least 30 Form 1040 federal income tax returns that claimed false or fraudulent deductions for business losses, medical expenses, and hobby expenses. In doing so, White understated her customers' federal tax liabilities and asserted positions which she knew or reasonably should have known were unrealistic under IRC § 6694.

18. White also engaged in fraudulent or deceptive conduct by:

1. marking tax returns she prepared for customers as "self prepared," and
2. electronically filing some of her customers' tax returns as if the returns were actually prepared by the taxpayers.

19. White's actions, as detailed above, fall within IRC §§ 7407(b)(1)(A) and (D), and thus are subject to being enjoined under IRC § 7407.

20. Because of her repeated and continual misconduct subject to injunction under IRC § 7407, White should be enjoined from acting as a federal income tax preparer.

Count II

**Injunction Under IRC § 7402(a) for Unlawful
Interference with the Enforcement of the Internal Revenue Laws**

21. The United States incorporates by reference the allegations in paragraphs 1 through 20.

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

23. White, through her actions detailed above, has engaged in conduct that substantially interferes with the enforcement of the internal revenue laws.

24. The federal income tax returns White prepared for her customers improperly and illegally reduced their federal income, self-employment, and social security tax liabilities.

25. If White is not enjoined from engaging in this fraudulent and deceptive conduct, such as preparing false or fraudulent tax returns, the United States will suffer irreparable injury because the revenue losses caused by White will continue to increase.

26. While the United States will suffer irreparable injury if White is not enjoined, White will not be harmed by being compelled to obey the law.

27. The public interest will be advanced if the Court enjoins White because an injunction will stop her illegal conduct and the harm the conduct is causing to the United States.

28. If White is not enjoined, she is likely to continue to interfere with the enforcement of the internal revenue laws.

WHEREFORE, the plaintiff, the United States of America, prays as follows:

A. That the Court find that White continually and repeatedly engaged in conduct subject to penalty under IRC § 6694 and § 6695, and that injunctive relief under IRC §7407 is therefore necessary and appropriate to prevent the recurrence of that conduct;

B. That the Court, pursuant to IRC § 7407, enter a permanent injunction prohibiting White from acting as a federal income tax return preparer;

C. That the Court find that White engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief is therefore appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and IRC § 7402(a);

D. That the Court, pursuant to IRC § 7402(a), enter a permanent injunction prohibiting White from:

- (1) preparing or filing, or assisting in or directing the preparation or filing, of federal tax returns for any person or entity other than herself, or appearing as a representative on behalf of any person or organization whose tax liability is under examination or investigation by the Internal Revenue Service;
- (2) preparing or assisting in the preparation of tax returns that defendant knows will result in the understatement of any tax liability;
- (3) understating customers' liabilities as prohibited by IRC § 6694;
- (4) engaging in any other activity subject to penalty under IRC § 6694;
- (5) engaging in any activities subject to penalty under IRC § 6695; 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 IRC §§ 7402(a) and 7407, enter an injunction requiring White to contact by mail all persons for whom she prepared a federal tax return since January 1, 2002, and inform them of the Court's findings concerning the falsity or fraudulent attributes of those tax returns and enclose a copy of the permanent injunction against White;

F. That the Court, pursuant to IRC §§ 7402(a) and 7407, enter an injunction requiring White to produce to counsel for the United States, within eleven days of the entry of an injunction against her, a list that identifies by name, social security number, address, email, telephone number, and tax period(s) all persons for whom White prepared federal tax returns or claimed a tax refund since January 1, 2004;

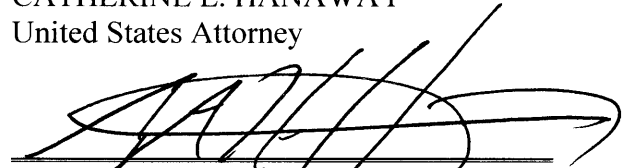
G. That the Court retain jurisdiction over the defendant, Yolanda White, individually and doing business as White Professional Services, and this action for the purpose of enforcing any permanent injunction entered against defendant;

H. That the United States be entitled to conduct all discovery permitted under the Federal Rules of Civil Procedure for the purpose of monitoring defendant's compliance with the terms of any permanent injunction entered against her; and

I. That this Court grant the United States such other and further relief, including costs, as is just and equitable.

Dated this 1st day of February, 2007.

CATHERINE L. HANAWAY
United States Attorney

A handwritten signature in black ink, appearing to read 'G. Hoffman', is written over a horizontal line. The signature is stylized and somewhat illegible.

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