

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

UNITED STATES OF AMERICA,)	
) *	
Plaintiff,)	
)	
v.)	CIVIL ACTION NO.:
)	
DONALD MORRIS,)	
)	
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, Nora Dannehy, United States Attorney for the District of Connecticut, brings this action pursuant to 26 U.S.C. §§ 7402(a) and 7407 to enjoin defendant Donald Morris 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.

2. 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

3. Donald Morris resides in Bloomfield, Connecticut.

Defendant's Tax Preparation Activities

4. Donald Morris is an income tax return preparer within the meaning of 26 U.S.C. § 7701(a)(36).
5. From 2003 through 2008, Morris worked as a self-employed income tax return preparer in which capacity he prepared federal income tax returns for individual taxpayers.
6. From 2003 through 2008, Morris's tax return preparation business was conducted out of his home in Bloomingfield, Connecticut.
7. From 2003 through 2008, Morris prepared individual income tax returns for the 2002 through 2007 tax years on which he understated taxpayers' federal income tax liabilities due to undisclosed and frivolous positions which he knew or should have known did not have a realistic possibility of being sustained on the merits.
8. From 2003 through 2008, Morris prepared individual income tax returns for the 2002 through 2007 tax years on which he willfully or recklessly understated taxpayers' federal income tax liabilities.
9. Examples of the methods employed to understate taxpayers' federal income tax liabilities on the individual income tax returns for the 2002 through 2007 tax years prepared by Morris include:
 - a. claiming deductions for fictitious or inflated unreimbursed employee expenses for

uniforms;

- b. claiming deductions for fictitious or inflated employee expenses for searching for a job;
- c. claiming deductions for fictitious or inflated charitable expenses;
- d. claiming fictitious or inflated education credits; and
- e. claiming fictitious or inflated credits for child care expenses.

Defendant's Knowledge of the Illegality of his Conduct

- 10. Morris was self-employed as an income tax return preparer from 2003 through 2008 and, therefore, should be knowledgeable concerning tax laws.
- 11. Morris knows of the illegality of his conduct, as alleged in this complaint.

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

- 12. Between 2003 and 2008, Morris prepared over one thousand federal income tax returns.
- 13. The returns prepared by Morris understating his customers' tax liabilities have resulted in customers receiving tax refunds to which they were not legally entitled.
- 14. As a result of Morris's preparation of income tax returns understating his customers' tax liabilities, the United States has suffered significant tax losses.
- 15. A review of 47 income tax returns prepared by Morris revealed that 42 contained improper deductions.
- 16. The average understatement of tax on the 42 income tax returns containing improper deductions was approximately \$1,800.00.
- 17. As a result of Morris's preparation of income tax returns understating his customers' tax liabilities, the Internal Revenue Service is forced to devote its limited resources to

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

18. Some of the revenue losses caused by Morris's preparation of income tax returns understating his customers' tax liabilities, may never be recovered, resulting in permanent loss.
19. As a result of Morris's preparation of returns understating his customers' tax liabilities, some of his 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

20. The United States incorporates by reference the allegations contained in paragraphs 4 through 19 above.
21. 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 furnish an identifying number with respect a return prepared by the tax return preparer); 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.

22. Morris has continually or repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694(a) by preparing income tax returns in which he understated taxpayers' liabilities based on undisclosed, frivolous positions which he knew or reasonably should have known did not have a realistic possibility of being sustained on the merits.
23. Morris has continually or repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6694(b) by preparing income tax returns in which he understated taxpayers' liabilities willfully or in reckless or intentional disregard of rules or regulations.
24. Morris has continually or repeatedly engaged in conduct subject to penalty under 26 U.S.C. § 6695(c) by failing to furnish his correct identifying number with respect to over 450 tax returns prepared by him.
25. Morris 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 he understated taxpayers' liabilities by claiming certain itemized deductions, education credits, and child care credits to which said

taxpayers were not entitled.

26. Injunctive relief against Morris is appropriate to prevent the recurrence of the conduct described in paragraphs 22 through 25.
27. An injunction merely prohibiting the conduct described in paragraphs 22 through 25 would not be sufficient to prevent Morris's interference with the proper administration of the Internal Revenue Code.

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

28. The United States incorporates by reference the allegations contained in paragraphs 4 through 27 above.
29. 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.
30. Through the conduct described above, Morris has engaged in conduct that substantially interferes with the administration and enforcement of the internal revenue laws. His conduct causes significant injury to the United States. Injunctive relief against Morris 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 Morris 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 Morris from engaging in such conduct; that an injunction only prohibiting such


conduct would not be sufficient to prevent Morris's interference with the proper administration of the internal revenue laws; and that an injunction under 26 U.S.C. § 7407 to prevent Morris from acting as an income tax return preparer is appropriate;

- B. That the Court find that Morris 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 Morris from engaging in such conduct.
- C. That the Court enter a permanent injunction pursuant to 26 U.S.C. §§ 7402 and 7407 against Morris and any persons acting in concert with Morris 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 Morris's compliance with the injunction against him; and

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

Respectfully submitted,

NORA DANNEHY
United States Attorney



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