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IN THE UNITED STATES DISTRICT COURT FOR THE
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
HUMBERTO N. COLLAZO, MARTIZA)
COLLAZO, HUMBERTO COLLAZO, III)
ADRIAN COLLAZO, COLLAZO)
ACCOUNTING GROUP, INC., and)
MASTER TAX SERVICE, INC.,)
)
Defendants.)
/

CIVIL ACTION NO. 6:08CV1207-ORL
28-DAB

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U.S. DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO, FL

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COMPLAINT FOR PERMANENT INJUNCTION

The United States of America files this complaint for permanent injunction and alleges as follows:

1. This is a civil action brought by the United States of America under Sections 7402(a), 7407 and 7408 of the Internal Revenue Code (26 U.S.C.) ("IRC") to enjoin Humberto N. Collazo, Maritza Collazo, Humbert Collazo, III, Adrian Collazo, Collazo Accounting Group, Inc., and Master Tax Service, Inc., from:

- a. Preparing, filing or assisting in the preparation or filing of any federal income tax return for any other person or entity;
- b. Providing any tax advice or services for compensation, including preparing or filing returns, providing consultative services, or representing customers;
- c. Engaging in conduct subject to penalty under IRC §§ 6694 or 6701, including preparing or filing a return or claim for refund that includes an unrealistic or frivolous position or preparing or filing a return or claim for refund that willfully or recklessly understates a tax liability;

- d. Engaging in any conduct that interferes with the proper administration and enforcement of the internal revenue laws through the preparation or filing of false tax returns.

AUTHORIZATION

2. This action has been authorized by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury, and commenced at the direction of the Attorney General of the United States, pursuant to the provisions of IRC §§ 7402, 7407 and 7408.

JURISDICTION AND VENUE

3. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1340 and 1345, and IRC § 7402.

4. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1391 and 1396, and IRC §§ 7407 and 7408.

DEFENDANTS

5. Defendant Humberto N. Collazo, who is also known as Humberto C. Collazo, Sr., Humberto A. Collazo, Sr., and Humberto Nicomedus Collazo, Jr, resides at 9402 Raven Dell Street, Orlando, Florida 32885, which is within this district. He is the ex-husband of defendant Maritza Collazo, and he is the father of defendants Humberto Collazo III and Adrian Collazo.

6. Defendant Maritza Collazo resides at 2212 Chicksaw Trail, Unit 302, Orlando, Florida 32825, which is within this district. She is the ex-wife of defendant Humberto N. Collazo, and she is the mother of defendants Humberto Collazo, III and Adrian Collazo.

7. Defendant Humberto Collazo, III, who is also known as Humberto Nicomedus Collazo III, Humberto N. Collazo III and Papo Collazo, resides at 33 East Central Blvd., #1604, Orlando, Florida 32801, which is within this district.

8. Defendant Adrian Collazo resides at Pinar Drive, Orlando, Florida 32825, which is within this district.

9. Defendant Master Tax Service, Inc., is a corporation organized under the laws of the State of Florida. Defendant Master Tax Service, Inc. maintains its principal place of business at 3846 Curry Ford Road, Orlando, Florida 32806.

10. Defendant Collazo Accounting Group, Inc. is a corporation organized under the laws of the State of Florida. Collazo Accounting Group maintains its principal place of business at 1111 Pinar Drive, Orlando, Florida 32825.

DEFENDANTS' CORPORATIONS

11. Defendants Humberto N. Collazo, Maritza Collazo, Humberto Collazo III and Adrian Collazo, individually or through corporate entities, including defendants Collazo Accounting Group, Inc. and Master Tax Service, Inc., prepare tax returns on behalf of clients.

12. Defendant Master Tax Service, Inc. was formed by defendant Humberto N. Collazo in approximately 1991. At various times, all of the individual defendants have prepared tax returns through this business.

13. In approximately 2003, defendants Humberto N. Collazo and Humberto Collazo, III formed The Tax Master of Central Florida, Inc. From that time until approximately 2007, defendants Humberto N. Collazo and Humberto Collazo, III carried on their tax preparation activities through this entity.

14. For a short period of time after the formation of The Tax Master of Central Florida, Inc., defendants Maritza Collazo and Adrian Collazo continued operating Master Tax Service, Inc. and preparing tax returns for clients through that entity.

15. In approximately 2004, defendant Adrian Collazo formed The Tax Master of Winter Park, Inc. Defendant Adrian Collazo then carried on his tax preparation activities through this entity, while defendant Martiza Collazo continued to operate Master Tax Service, Inc.

16. In approximately 2005, defendant Adrian Collazo stopped preparing tax returns under The Tax Master of Winter Park, Inc. and began to prepare tax returns under The Tax Master of Central Florida, Inc. with defendants Humberto N. Collazo and Humberto Collazo, III.

17. In approximately 2006, defendant Adrian Collazo formed Collazo Accounting Group, Inc., though which he is continuing his tax preparation activities.

18. In approximately 2007, defendant Humberto N. Collazo dissolved The Tax Master of Central Florida, Inc. The dissolution papers for The Tax Master of Central Florida, Inc. list Isabel Garcia as the person who should receive any further correspondence for that company.

19. Isabel Garcia is the daughter of defendant Humberto N. Collazo and is the registered agent and vice present of another tax return preparation firm, The Tax Master of Orlando, Inc. Both the Tax Master of Central Florida, Inc. and the Tax Master of Orlando, Inc. are located at 8127 Valencia College Lane, Orlando, Florida.

DEFENDANTS' FRAUDULENT TAX PREPARATION SCHEME

20. Since at least 2002, the defendants have engaged in a fraudulent tax preparation

scheme by overstating and fabricating deductions and credits on their clients' tax returns in order to reduce their clients' tax liabilities or increase their refunds.

21. Sample audits conducted on tax returns prepared by the defendants for tax years 2002, 2003 and 2004 reveal a pattern of claiming false or overstated deductions and improper credits, including:

- a. false or overstated deductions for charitable contributions;
- b. false or overstated deductions for employee business expenses, including uniforms, tools and/or personal commuting expenses;
- c. improperly claiming non-deductible personal expenses as deductible business expenses;
- d. improperly claiming the Earned Income Credit ("EIC") when the taxpayer does not qualify for this credit;
- e. improperly claiming non-qualifying individuals as dependants; and
- f. misrepresenting the filing status of taxpayers so as reduce the taxpayers' liability.

22. Upon information and belief, the majority of defendants' clients are unaware of the misrepresentations and material fabrications made on their respective tax returns by the defendants.

23. Additionally, defendants have not accurately disclosed their name and social security number on returns that they have prepared. As income tax return preparers, defendants are required to put their name and social security number (or alternatively a unique preparer identification number, called a "PTIN") on each return so as to accurately identify them as the

preparer of the return. In 2003 and prior years, the majority of returns prepared by Humberto N. Collazo, Humberto Collazo, III, and Adrian Collazo incorrectly identified Martiza Collazo as the preparer of the returns.

24. In 2006, Adrian Collazo incorrectly identified himself as the preparer on the majority of returns prepared by Tax Master Of Central Florida, including returns that were actually prepared by Humberto N. Collazo and Humberto Collazo, III.

25. Pursuant to 26 U.S.C. 6107(b), tax return preparers are required to keep copies of their client lists (or alternatively copies of all the returns that they prepare), and they are further required to provide this information to the Internal Revenue Service upon request. 26 U.S.C. 6695(d) imposes a penalty for each failure to comply with this requirement unless it is shown that the failure was due to reasonable cause and not due to willful neglect. Defendants Humberto Collazo, III and Adrian Collazo failed to provide this information to the Internal Revenue Service when requested and may not even have kept this information, as is required by law.

26. Defendant Humberto Collazo, III has failed to file a personal income tax return for himself since 2002.

27. Defendant Adrian Collazo operated Tax Master of Winter Park in 2004, and he failed to timely file a corporate tax return for Tax Master of Winter Park for that year.

DEFENDANTS' KNOWLEDGE OF THE ILLEGALITY OF THEIR SCHEME

28. Defendants know or should know that their conduct is illegal.

29. Defendant Humberto N. Collazo received an accounting degree from Orlando College in 1994. He has taken at least one class from H&R Block on preparation of tax returns, and he has taken other continuing education classes through the Internet and the National Society

of Public Accountants. Additionally, he has been actively preparing tax returns since approximately 1991. Defendant Humberto N. Collazo is also an enrolled agent with the Internal Revenue Service, which means that based on his education and/or work experience, he has been granted authority to represent clients in audits and other matters before the Internal Revenue Service.

30. Defendant Humberto N. Collazo has taught tax preparation training classes for individuals, including Maritza Collazo, Humberto Collazo, III and Adrian Collazo. He has also provided defendants Maritza Collazo, Humberto Collazo, III and Adrian Collazo with in-house continuing professional education classes relating to tax return preparation.

31. All defendants have sufficient educational and/or work experience to know of the illegality of their tax preparation scheme.

32. Despite knowledge of the illegality of their scheme, the defendants continue to engage in a pattern of fabricating deductions and other information on tax returns that they have prepared for clients.

HARM TO THE UNITED STATES

33. The Internal Revenue Service conducted sample audits of returns prepared by the defendants for the 2002, 2003 and 2004 tax years. The sample audits revealed that the average understatement of income tax liability for returns prepared by the defendants for these tax years was \$3,531.74 per return. The adjustments made to these returns were due to: 1) inflated charitable contributions, 2) improper deductions for commuting mileage, 3) personal clothing improperly deducted as business uniforms, 4) inflated interest deductions, 5) inflated deductions

for other taxes paid, 6) errors in filing status, 7) errors in exemptions claimed in the returns, and 8) errors in claiming the Earned Income Credit.

34. Defendants cumulatively prepared at least 15,121 returns for the 2002-2005 tax years. Extrapolating these results to the entire population of returns prepared by the defendants for 2002-2005 tax years, the United States estimates that the tax loss caused by the defendants' fraudulent practices exceeds \$17.8 million with an additional \$2.8 million in estimated interest owed on these deficiencies for a total loss to the United States in excess of \$20 million.

35. Additionally, prior to filing this suit, the United States selected a random sample of returns from client files that were previously provided to the Internal Revenue Service by Humberto N. Collazo. These returns were not formally audited, but they were reviewed for proposed adjustments, as would be done in a formal audit. The proposed adjustments for these returns were based upon interviews with taxpayers, third party information and questionable issues observed on the face of the returns.

36. Of these additional returns that were reviewed, 88% percent contained errors with an average adjustment of approximately \$3,393. The errors identified in these returns included incorrect filing status of taxpayers, impermissibly deducting personal expenses as business expenses, impermissibly claiming non-qualifying individuals as dependents, claiming the Earned Income Credit where the taxpayer did not qualify for the credit, inflating business expenses and other deductible expenses, and claiming deductions for expenses the taxpayers never incurred.

COUNT I: INJUNCTION UNDER § 7407

37. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin income tax return preparers from, among other things:

(a) engaging in conduct subject to penalty under I.R.C. § 6694, which penalizes return preparers who knowingly prepare a return that contains an unrealistic position, who willfully attempt to understate tax liability on a return that they prepare, or who prepare a return that understates tax liability as a result of their reckless or intentional disregard of rules or regulations;

(b) engaging in conduct subject to penalty under I.R.C. 6695, which penalizes return preparers who fail to sign a return and who fail to put their social security number or other identifying number on a return, and which penalizes return preparers who fail to maintain copies of client lists or alternatively of copies of the returns that they prepare; and

(c) engaging in any fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.

38. Defendants have engaged in conduct subject to penalty under I.R.C. § 6694 by preparing income tax returns claiming unsubstantiated and fraudulent deductions and credits, and by using incorrect filing status. Defendants know that these tax returns do not have a realistic possibility of being sustained on the merits if questioned by the IRS. Moreover, defendants' actions are willful attempts to understate tax liabilities on returns that they prepare.

39. Defendants have engaged in conduct subject to penalty under I.R.C. § 6695 by failing to put their name and social security or other identifying number on returns that they prepared. Defendants may also have engaged in conduct subject to penalty under I.R.C. § 6695 by failing to maintain copies of the returns that they prepared (or alternatively client lists) and/or failing to provide this information to the IRS when requested.

40. Defendants further engage in fraudulent and deceptive conduct that substantially

interferes with the proper administration of the internal revenue laws.

41. Defendants' actions described above fall within IRC § 7407(b)(1), and thus defendants are subject to injunction under § 7407.

42. Because of defendants' continued and repeated conduct that is subject to injunction under IRC § 7407, defendants should be permanently enjoined from acting as income tax return preparers.

COUNT II: INJUNCTION UNDER IRC § 7408

43. Section 7408 of the Internal Revenue Code authorizes a district court to enjoin tax return preparers from, among other things, engaging in conduct subject to penalty under IRC § 6701, which penalizes a person for aiding or assisting in the preparation of a return or other document which the person knows will result in an understatement of tax liability.

44. Defendants have engaged in conduct subject to penalty under IRC § 6701 by preparing income tax returns claiming unsubstantiated and fraudulent deductions and credits, and by using incorrect filing status. Defendants know that these deductions do not have a realistic possibility of being sustained on the merits if questioned by the IRS.

45. Defendants' actions described above fall within IRC § 7408(c)(1), and injunctive relief is appropriate to prevent recurrence of their conduct.

46. Accordingly, defendants should be permanently enjoined from acting as income tax return preparers, pursuant to IRC § 7408(b).

COUNT III: INJUNCTION UNDER IRC § 7402

47. Section 7402(a) of the Internal Revenue Code authorizes a district court to render

such judgments and decrees as may be necessary or appropriate for the enforcement of the internal revenue laws.

48. Defendants, through the conduct described above, have engaged in conduct that interferes substantially with the administration and enforcement of the internal revenue laws. Unless enjoined by this Court, they are likely to continue to engage in such conduct. Defendants' conduct causes significant injury to the United States. The United States is entitled to injunctive relief under IRC § 7402(a) to prevent such conduct.

APPROPRIATENESS OF INJUNCTIVE RELIEF

49. Unless enjoined, defendants are likely to continue to engage in the conduct described above.

50. Defendants' conduct, as described above, causes irreparable harm to the United States. Specifically, defendants' conduct has caused and will continue to cause substantial revenue losses to the United States Treasury, some of which may never be recovered, thus resulting in a permanent loss. Unless the defendants are enjoined, the IRS will have to devote a substantial amount of its limited resources to detecting and auditing future fraudulent returns prepared by the defendants.

51. If the defendants are not enjoined, they likely will continue to engage in conduct subject to penalty under IRC §§ 6694, 6695 and 6701.

52. If the defendants are not enjoined, they likely will continue to engage in conduct that interferes substantially with the administration and enforcement of the internal revenue laws.

WHEREFORE, plaintiff United States of America prays for the following relief:

A. That the Court find that defendants Humberto N. Collazo, Maritza Collazo, Humbert Collazo, III, Adrian Collazo, Collazo Accounting Group, Inc., and Master Tax Service, Inc. continually and repeatedly engaged in conduct subject to penalty under IRC §§ 6694, 6695 and 6701, or otherwise engaged in conduct that interfered with the enforcement of the internal revenue laws, and that injunctive relief against them is appropriate pursuant to IRC §§ 7402(a), 7407 and 7408 to prevent recurrence of that conduct;

B. That the Court enter a permanent injunction prohibiting the defendants from directly or indirectly:

1. Preparing, filing or assisting in the preparation or filing of any federal income tax return for any other person or entity;
2. Providing any tax advice or services for compensation, including preparing or filing returns, providing consultative services, or representing customers;
3. Engaging in conduct subject to penalty under IRC §§ 6694, 6695 or 6701, including preparing or filing a return or claim for refund that includes an unrealistic or frivolous position or preparing or filing a return or claim for refund that willfully or recklessly understates a tax liability; or
4. Engaging in any conduct that interferes with the proper administration and enforcement of the internal revenue laws through the preparation or filing of false tax returns;

C. That the Court enter an injunction:

1. Requiring the defendants, at their own expense, to send by certified mail, return receipt requested, a copy of the final injunction entered against them in this action to each person for whom they, or anyone at their direction or in their employ, prepared federal income tax returns or any other federal tax forms after January 1, 2003;
2. Requiring the defendants, and anyone who prepared tax returns at the direction of or in the employ of the defendants, to turn over to the United

States copies of all returns or claims for refund that they prepared for customers after January 1, 2003;

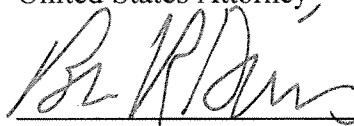
3. Requiring the defendants, and anyone who prepared tax returns at the direction of or in the employ of the defendants, to turn over to the United States a list with the name, address, telephone number, e-mail address (if known), and social security number or other taxpayer identification number of each customers for whom they prepared returns or claims for refund after January 1, 2003;
4. Requiring the defendants, within forty-five days of entry of the final injunction in this action, to file a sworn statement with the Court evidencing their compliance with the foregoing directives; and
5. Requiring the defendants to keep records of their compliance with the foregoing directives, which may be produced to the Court, if requested, or to the United States pursuant to paragraph D, below;

D. That the Court enter an order allowing the United States to monitor the defendants' compliance with this injunction, and to engage in post-judgment discovery in accordance with the Federal Rules of Civil Procedure; and

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

Respectfully submitted,

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