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11 Attorneys for United States of America

12 UNITED STATES DISTRICT COURT

13 FOR THE CENTRAL DISTRICT OF CALIFORNIA

14 15 UNITED STATES OF AMERICA, 16) Plaintiff, 17) v. 18 SAMUEL J. DeANGELO; JOE 19 GORDON SHIELDS, a/k/a 20 GORDON SHIELDS; ALAN M. 21 HOVEY; JEFFREY R. WRIGHT; 22 KELLY DAVID, a/k/a DAVID KELLY; and WESTERN TAX SERVICE, INC., Defendants.) No. SA CV 03-251-GLT (MLGx)))) ORDER FOR PERMANENT INJUNCTION) BY CONSENT AGAINST ALAN M.) HOVEY)))))))))
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23 IT IS HEREBY STIPULATED AND AGREED by the United States of
 24 America and defendant Alan M. Hovey ("Hovey") pursuant to
 25 Internal Revenue Code Sections 7402 and 7407 (Title 26, United
 26 States Code):

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1 1. The Court has jurisdiction over this action under 28
2 U.S.C. §§ 1340 and 1345 and 26 U.S.C. §§ 7402 and 7407.

3 2. On March 11, 2003, the United States commenced this
4 action seeking to enjoin Hovey and the other defendants
5 permanently from acting as income tax return preparers and from
6 engaging in conduct subject to penalty under I.R.C. Section 6694,
7 "Understatement of Taxpayer's Liability by Income Tax Return
8 Preparer."

9 3. The complaint alleged in material part that the
10 defendants continually or repeatedly engaged in such conduct,
11 understating the tax due (and overstating the refund due) on
12 customers' federal income tax returns by claiming false and
13 inflated itemized deductions for charitable contributions and
14 employee business expenses.

15 4. On July 30, 2003, the Court preliminarily enjoined the
16 defendants (except for defendant Joe Gordon Shields, who
17 previously entered into a permanent injunction by consent) from
18 engaging in any conduct prohibited by I.R.C. Section 6694,
19 including but not limited to overstating the allowable amount of
20 charitable contributions and/or employee business expenses on the
21 returns they prepared for compensation.

22 5. On April 14, 2004, the defendants herein, along with
23 others, were indicted on related criminal charges in *United*
24 *States v. Samuel Joseph DeAngelo, et al.*, No. SA CR 04-68(A)-JVS.
25 The instant action was stayed pending the outcome of the criminal
26 proceedings and the completion of IRS audits of returns prepared
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1 by the defendants.

2 6. On June 6, 2007, Hovey entered into a Plea Agreement,
3 which was filed under seal in the criminal case. He received a
4 sentence of two months.

5 7. On October 11, 2007, the Court lifted the stay in the
6 instant proceeding.

7 8. To resolve the claims against him in the instant
8 proceeding, Hovey agrees to be bound by the terms set forth in
9 the following paragraphs.

10 9. Pursuant to I.R.C. Section 7407(b) and I.R.C. Section
11 7402(a), Hovey, along with any agents, servants, employees,
12 attorneys, or other persons in active concert or participation
13 with him, is **HEREBY PERMANENTLY ENJOINED** from:

14 a. Engaging in conduct subject to penalty under I.R.C.
15 Section 6694, including but not limited to preparing
16 tax returns or claims for refund that overstate the
17 allowable amount of charitable contributions and/or
18 employee business expenses. In furtherance of this
19 injunction, Hovey, along with any agents, servants,
20 employees, attorneys, or other persons in active
21 concert or participation with him, shall comply with
22 all applicable laws, regulations and administrative
23 procedures in preparing any return containing
24 deductions for charitable contributions and/or employee
25 business expenses, including, but not limited to, (i)
26 ensuring that such deductions are allowable and

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1 properly documented at the time the return is prepared
2 or filed in accordance with applicable Treasury
3 Publications and the official instructions to Form
4 1040, Sch. A to Form 1040, Form 2106 and 2106-EZ, and
5 Form 8283, retaining copies of such documentation for
6 examination by the IRS, (ii) explaining these
7 deductions to each customer and pointing them out to
8 the customer their location(s) on the return before the
9 customer signs the return, (iii) completing and
10 attaching any and all required Treasury Forms for such
11 deductions, including but not limited to Form 8283 for
12 Noncash Charitable Contributions totaling \$500 or more
13 and Form 2106 or 2106-EZ for Employee Business
14 Expenses, and (iv) ensuring that such deductions are
15 properly itemized and reported on Schedule A of the
16 return in accordance with the official instructions
17 thereto and the relevant Treasury Publications.
18 Further, Hovey, along with any agents, servants,
19 employees, attorneys, or other persons in active
20 concert or participation with him, is permanently
21 enjoined from advising or suggesting that a taxpayer's
22 cost basis in goods donated to a charitable
23 organization may be used as the fair market value of
24 those goods for purpose of determining the taxpayer's
25 charitable deduction amount.

26 b. Engaging in conduct subject to penalty under I.R.C.
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1 Section 6701, including preparing or assisting in the
2 preparation of a document related to a matter material
3 to the internal revenue laws that he knows will (if so
4 used) result in an understatement of another person's
5 tax liability;

6 c. Instructing, advising, or assisting other persons to
7 understate their federal tax liabilities;

8 d. Engaging in any other conduct that interferes with the
9 proper administration and enforcement of the internal
10 revenue laws; and

11 e. Misrepresenting any of the terms of this Permanent
12 Injunction By Consent.

13 10. Hovey is ordered to mail a copy of this Permanent
14 Injunction By Consent within 14 days of entry to all persons and
15 entities for whom he prepared (or helped to prepare) any federal
16 income tax return, amended return, refund claim, or other federal
17 tax-related document since the preliminary injunction was entered
18 herein on July 30, 2003. Hovey shall file a certificate of
19 compliance, signed under penalty of perjury, within 15 days of
20 the entry hereof.

21 11. Hovey shall turn over to the United States within 14
22 days of the entry hereof a complete list of all persons for whom
23 he has prepared (or helped to prepare) any federal tax return,
24 amended return, refund claim, or other federal tax-related
25 document since July 30, 2003, such list to include each such
26 person's name, address, phone number and/or email address, social
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1 security number or employer identification number, and the tax
2 period(s) to which or for which each such return, amended return,
3 or refund claim relates. The list shall include all customers
4 whose returns Hovey helped to prepare, even if those returns were
5 filed listing someone else as preparer or listing someone else's
6 social security or employer identification number as preparer, or
7 listing someone else's electronic filing number. Further, Hovey
8 shall simultaneously turn over a list identifying (by name,
9 address, phone number and/or email address, and social security
10 number/EIN) all customers whose returns have been audited by the
11 IRS since July 30, 2003, along with copies of the subject
12 returns.

13 12. Nothing in this Permanent Injunction by Consent shall
14 be construed to compromise, preclude or otherwise affect any
15 other proceedings against or involving Hovey, civil or criminal,
16 whether not pending or hereafter commenced. The United States
17 may engage in discovery under the Federal Rules of Civil
18 Procedure to monitor compliance with the terms of this
19 injunction, and this Court shall retain jurisdiction for the
20 purpose of implementing and enforcing this injunction and all
21 additional orders necessary and appropriate to the public
22 interest. Hovey waives any right he may have to appeal from this
23 Permanent Injunction By Consent.

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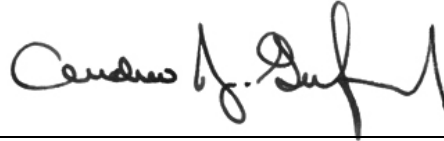
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1 13. The parties hereto shall bear their respective costs,
2 including any possible attorneys' fees or other expenses of this
3 litigation.

4 **IT IS SO ORDERED, ADJUDGED AND DECREED.**

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7 DATED: January 14, 2008

8 ANDREW J. GUILFORD
9 UNITED STATES DISTRICT JUDGE

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2 **PROOF OF SERVICE BY MAILING**

3 I am over the age of 18 and not a party to the within action. I
4 am employed by the Office of the United States Attorney, Central
5 District of California. My business address is 300 North Los Angeles
6 Street, Suite 7211, Los Angeles, California 90012.

7 On **January 14, 2008**, I served

8 **(PROPOSED) ORDER FOR PERMANENT INJUNCTION BY CONSENT AGAINST ALAN
M. HOVEY**

9 on each person or entity name below by enclosing a copy in an envelope
10 addressed as shown below and placing the envelope for collection and
11 mailing on the date and at the place shown below following our
12 ordinary office practices. I am readily familiar with the practice of
13 this office for collection and processing correspondence for mailing.
14 On the same day that correspondence is placed for collection and
15 mailing, it is deposited in the ordinary course of business with the
16 United States Postal Service in a sealed envelope with postage fully
prepaid. Date of mailing: **January 14, 2008**

17 Place of mailing: Los Angeles, California

18 **See attached list**

19 I declare under penalty of perjury under the laws of the United States
20 of America that the foregoing is true and correct.

21 I declare that I am employed in the office of a member of the bar
22 of this court at whose direction the service was made.

23 Executed on: **January 14, 2008**, Los Angeles, California.

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25 _____ /s/

26 **Barbara Le**
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RE: UNITED STATES OF AMERICA V. SAMUEL DeANGELO, ET AL

CASE NO.: SA CV 03-251 AG (MLGx)

Service List

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