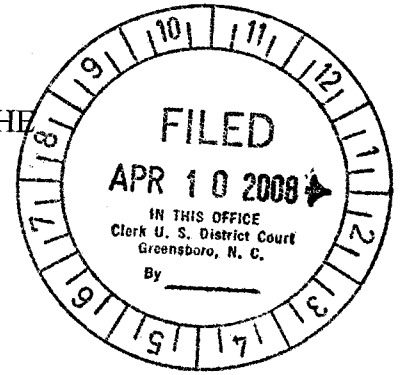


IN THE UNITED STATES DISTRICT COURT FOR THE  
MIDDLE DISTRICT OF NORTH CAROLINA  
WINSTON-SALEM DIVISION



UNITED STATES OF AMERICA, )  
 )  
 Plaintiff, )  
 )  
 v. )  
 )  
 MICHELLE PREISS, individually and d/b/a )  
 "Tax Max" and "Preiss Tax Service"; )  
 MICHAEL EDWARDS; and SHERYL LESTER, )  
 )  
 Defendants. )

Case No. 1:07-CV-589

**AGREED ORDER OF PERMANENT INJUNCTION  
AGAINST DEFENDANT MICHELLE PREISS**

The United States has filed a complaint for a permanent injunction against Defendant Michelle Preiss, individually and doing business as "Tax Max" and "Preiss Tax Service." Preiss knowingly and voluntarily consents to the entry of a permanent injunction against her on the terms set forth below and agrees to be bound by those terms. Preiss understands that if she violates the injunction, she may be subject to civil or criminal sanctions for contempt of court. Preiss also understands that this permanent injunction constitutes a final judgment in this case, and she knowingly and voluntarily waives any right to appeal this judgment.

Pursuant to Fed. R. Civ. P. 65(d), and upon the consent of both parties, the Court makes the following findings of fact and conclusions of law and enters this permanent injunction against Defendant Michelle Preiss.

### **Findings of Fact**

1. Michelle Preiss resides at 208 East Main Street, East Bend, North Carolina, 27018.
2. Since 2003, Preiss has owned and operated a tax-return-preparation business called "Tax Max."
3. In October 2002, Preiss applied for and received an IRS electronic filing identification number under the business name "Preiss Tax Service."
4. Through Tax Max, Preiss has been preparing and electronically filing federal income tax returns for individuals residing in North Carolina, Virginia, and West Virginia.
5. Michael Edwards resides with Preiss at 208 East Main Street, East Bend, North Carolina, 27018.
6. Sheryl Lester resides at South Highway 10, Lot 68, Pineville, West Virginia, 24874.
7. Edwards and Lester have performed services for Tax Max for compensation.
8. Since early 2005, Preiss, Edwards, and Lester have been participating in a scheme to file false federal income tax returns requesting earned income tax credits and income tax refunds to which Tax Max customers are not entitled.
9. Specifically, tax returns filed by Preiss on behalf of Tax Max customers contain fictitious or inflated amounts of gross business receipts on their Schedules C and report no business expenses, which results in false or inflated requests for earned income tax credits and income tax refunds.

10. Preiss and Edwards have attempted to recruit single, uneducated, low-income women with children to become customers of Tax Max.
11. Preiss and Edwards recruit such individuals at public housing projects, unemployment offices, and welfare offices.
12. Edwards has stated that he targets these individuals as potential customers because they do not ask many questions about the information reported on their tax returns.
13. Edwards trained Lester regarding how and why to recruit such individuals as customers for Tax Max.
14. Edwards instructed Lester to target, as potential Tax Max customers, individuals who receive disability or social security benefits and who are not required to file income tax returns.
15. Edwards explained to Lester that the defendants would not get caught filing false Schedules C if they reported business income amounts less than \$10,000 so that, if questioned, Tax Max customers could claim the receipts were cash income, and no one could prove or disprove that claim.
16. Lester recruits customers for Tax Max in West Virginia.
17. Lester obtains the personal information (e.g., names, addresses, and social security numbers) of potential West Virginia customers and relays that information to Preiss in North Carolina.
18. Preiss prepares and electronically files federal income tax returns for customers reporting fabricated or inflated business revenue and no business expense deductions.

19. Lester travels from West Virginia to North Carolina to retrieve copies of the electronically-filed tax returns, tax refund checks, and unsigned copies of IRS Form 8453 (U.S. Individual Income Tax Declaration for an IRS e-file Return) for Tax Max customers in West Virginia.

20. Lester then returns to West Virginia to provide the checks to the customers residing there. She also then obtains the customers' signatures on the Forms 8453 consenting to allow Tax Max to file the returns electronically.

21. Preiss has already electronically filed the West Virginia customers' tax returns by the time Lester obtains their consents to electronic filing on Forms 8453.

22. Preiss charges her customers between \$300 and \$900 per tax return she prepares through Tax Max.

23. The amount of Preiss's fee increases as the tax refund amount received by the customer increases.

24. Preiss shares the fees she collects with Edwards and Lester.

25. On the evening of March 29, 2006, special agents of the IRS Criminal Investigation Division met with Preiss and Edwards to discuss Lester's involvement with Tax Max.

26. Later that night, Preiss and Edwards called Lester, informed her of their meeting with the IRS agents, told her not to talk over the telephone, and said they were driving to West Virginia to tell Lester what to say to the IRS agents.

27. At approximately 4 a.m. on March 30, 2006, Preiss and Edwards met with Lester in the parking lot of a convenience store in Pineville, West Virginia.

28. During this meeting, Edwards instructed Lester to tell IRS agents that (a) Tax Max customers provided Lester with their occupations and the amounts of business income they earned; (b) Lester prepared the customers' tax returns on her computer; and (c) Preiss and Edwards reviewed the returns prior to Lester obtaining the customers' signatures on the returns, which occurred before the returns were filed.

29. The information that Edwards instructed Lester to give to the IRS agents is false.

30. Edwards told Lester that as long as she stuck to this story, and all three defendants had the same story, they would not get in trouble.

31. The IRS has reviewed a sample of 25 federal income tax returns prepared and filed by Preiss through Tax Max for tax years 2004 and 2005.

32. Most of these customers did not need to file federal income tax returns because they did not meet the income threshold for having to file a return.

33. All 25 reviewed tax returns contained false amounts of gross business receipts on Schedule C, which resulted in improper earned income tax credits and tax refunds.

34. The average false refund from these 25 tax returns was approximately \$1,800.

35. Through Tax Max, Preiss prepared and filed approximately 140 tax returns for tax years 2004 and 2005 that included Schedules C.

36. Therefore, the IRS estimates that this scheme cost the United States Treasury approximately \$250,000 in lost revenue for tax years 2004 and 2005.

37. In June 2007, Preiss, Edwards, and Lester entered into separate plea agreements with the Office of the United States Attorney for the Southern District of West Virginia.

38. In those agreements, the defendants admitted to conspiring to defraud the United States, in violation of 18 U.S.C. § 371, through the scheme described above.

### **Conclusions of Law**

Based on the foregoing findings of fact, and on the consent of both parties, the Court finds that Defendant Michelle Preiss has been continually or repeatedly engaging in conduct subject to penalty under 26 U.S.C. (I.R.C.) §§ 6694, 6695, and 6701, and interfering with the administration of the internal revenue laws. The Court further finds that, absent an injunction, Preiss is likely to continue engaging in such conduct. Accordingly, the Court finds that Preiss should be permanently enjoined under I.R.C. §§ 7402(a), 7407, and 7408.

### **Order**

Based on the foregoing, the Court ORDERS that:

A. Michelle Preiss, individually and doing business as “Tax Max” and “Preiss Tax Service,” and her agents, servants, employees, attorneys, and any persons in active concert or participation with her, are permanently enjoined from directly or indirectly:

1. Preparing or filing any federal tax returns or forms for others;
2. Engaging in any conduct subject to penalty under I.R.C. § 6694; *i.e.*, (i) preparing any part of a federal tax return or claim for refund, (ii) containing a position of which the preparer knew or reasonably should have known, (iii) while not reasonably believing that the position would more likely than not be sustained on its merits, and (iv) the position was not disclosed as provided by law, or had no reasonable basis;
3. Engaging in any conduct subject to penalty under I.R.C. § 6695; *e.g.*, failing to comply with due diligence requirements in Treasury Regulations for determining the eligibility of taxpayers for, or the amount of, earned income tax credits;

4. Engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws;
5. Engaging in any conduct subject to penalty under I.R.C. § 6701; *i.e.*, (i) aiding, assisting, or advising others in the preparation of any federal tax forms or documents, (ii) knowing or having reason to believe that the documents will be used in connection with a material matter arising under the internal revenue laws, and (iii) knowing that the documents will (if so used) result in the understatement of the income tax liability of another person;
6. Engaging in any activity subject to penalty under Title 26 of the United States Code; and
7. Engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws.

B. The United States is permitted to conduct full post-judgment discovery to monitor the defendant's compliance with the injunction.

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C. The Court retains jurisdiction over this action for purposes of implementing and enforcing the final judgment and any additional orders necessary and appropriate to guard the public interest.

IT IS SO ORDERED.

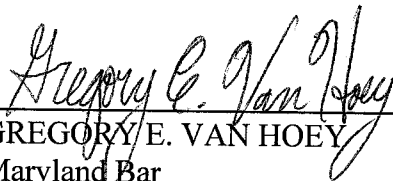
Date: April 8, 2008



THOMAS D. SCHROEDER  
United States District Judge

Agreed:

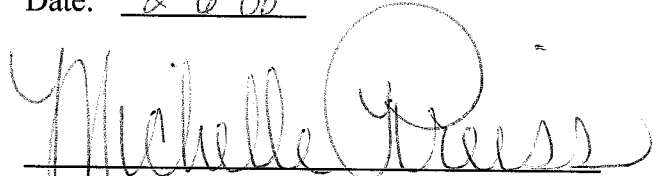
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