



## Fact Sheet

NOTE:

VA CASES INCLUDED

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**Tax Return Preparer Fraud*****Virginia Taxpayers Urged to Use Care When Choosing Preparers***

RICHMOND – According to IRS spokeswoman Gloria Wajciechowski, return preparer fraud generally involves the preparation and filing of false income tax returns by preparers who claim inflated personal or business expenses, false deductions, unallowable credits or excessive exemptions on returns prepared for their clients. Preparers may also manipulate income figures to obtain tax credits, such as the Earned Income Tax Credit, fraudulently.

In some situations, the client (taxpayer) may not have knowledge of the false expenses, deductions, exemptions and/or credits shown on their tax returns. However, when the IRS detects the false return, the taxpayer — not the return preparer — must pay the additional taxes and interest and may be subject to penalties.

The IRS Return Preparer Program focuses on enhancing compliance in the return-preparer community by investigating and referring criminal activity by return preparers to the Department of Justice for prosecution and/or asserting appropriate civil penalties against unscrupulous return preparers.

“While most preparers provide excellent service to their clients, the IRS urges taxpayers to be very careful when choosing a tax preparer,” Wajciechowski said. “Taxpayers should be as careful as they would be in choosing a doctor or a lawyer. It is important to know that even if someone else prepares a tax return, the taxpayer is ultimately responsible for all the information on the tax return.”

**Helpful Hints When Choosing a Return Preparer**

- Be careful with tax preparers who claim they can obtain larger refunds than other preparers.
- Avoid preparers who base their fee on a percentage of the amount of the refund.
- Use a reputable tax professional who signs your tax return and provides you with a copy for your records.
- Consider whether the individual or firm will be around to answer questions about the preparation of your tax return months, or even years, after the return has been filed.
- Review your return before you sign it and ask questions on entries you don't understand.
- No matter who prepares your tax return, you (the taxpayer) are ultimately responsible for all of the information on your tax return. Therefore, never sign a blank tax form.
- Find out the person's credentials. Only attorneys, CPAs and enrolled agents can represent taxpayers before the IRS in all matters including audits, collection and appeals. Other return preparers may only represent taxpayers for audits of returns they actually prepared.
- Find out if the preparer is affiliated with a professional organization that provides its members with continuing education and resources and holds them to a code of ethics.
- Ask questions. Do you know anyone who has used the tax professional? Were they satisfied with the service they received?

Tax evasion is a risky crime, a felony, punishable by five years imprisonment and a \$250,000 fine.

### **Criminal Investigation Statistical Information on Return Preparer Fraud**

	FY 2005	FY 2004	FY 2003
Investigations Initiated	248	206	229
Prosecution Recommendations	140	167	169
Indictments/Informations	119	121	109
Sentenced	118	90	49
Incarceration Rate*	85.6%	84.4%	83.7%
Avg. Months to Serve	18	19	19

\*Incarceration may include prison time, home confinement, electronic monitoring or a combination.

### **Where Do You Report Suspected Tax Fraud Activity?**

If you suspect tax fraud or know of an abusive return preparer, report this activity using IRS Form 3949-A, Information Referral. You can download Form 3949-A from the IRS Web site at IRS.gov or call 1-800-829-3676 to order by mail. Send the completed form, or a letter detailing the alleged fraudulent activity, to Internal Revenue Service, Fresno, CA 93888. Please include specific information about who you are reporting, the activity you are reporting and how you became aware of it, when the alleged violation took place, the amount of money involved and any other information that might be helpful to an investigation.

“Although you are not required to identify yourself, it is helpful to do so,” Wajciechowski advised. “Your identity can be kept confidential. You may also be entitled to a reward.”

### **Criminal and Civil Legal Actions**

Some return preparers have been convicted of, or have pleaded guilty to, felony charges. Additionally, the courts have issued 132 permanent injunctions against abusive tax scheme promoters and abusive return preparers since 2003. The following case summaries are excerpts from public record documents on file in the court records in the judicial district in which the legal actions were filed.

### **RECENT VIRGINIA CASES**

#### **Manassas, VA**

James R. Moody, Jr. and his wife Sandy C. Moody owners of SCM Tax Services in Manassas pleaded guilty in federal court to aiding in the preparation of false tax returns. On December 16, 2005, James Moody was sentenced to one year in prison and ordered to pay \$101,635 in restitution to the Internal Revenue Service. Sandy Moody was charged with falsifying nine tax returns between 2000 and 2002. She was sentenced to 30 days in prison and ordered to pay \$25,408 to the IRS.

## **Woodbridge, VA**

June 7, 2005, Stephen U. Okwuadigbo of Woodbridge was sentenced to 12 months and 1 day in prison for his role in aiding in the preparation of false Federal income tax returns. He was also ordered to pay restitution in the amount of \$32, 259.00 to the Internal Revenue Service.

## **Dale City, VA**

George S. B. Afful, age 57, of Dale City, Virginia, owner and operator of a Dale City based tax preparation business known as Tax & Refund Master Services was sentenced to six months in prison, four months community confinement and restitution in the amount of \$65,731. Afful entered a plea of guilty to preparing false income tax returns in October 2005. Afful prepared and provided tax returns for many of his clients that claimed overstated and fictitious deductions thereby reducing his clients' tax liability or causing his clients to receive a larger tax refund than they were entitled to by law. The false aspect of the returns included false charitable gift amounts, false job and miscellaneous expense and false medical and dental expenses. Afful pled guilty to the preparation of 19 false returns for tax years 2000 through 2002 totaling a \$65,731 loss to the government.

## **NATIONAL DATA**

### **Texas Businessman Sentenced to 30 Months Following Federal Tax Charge Conviction**

On July 22, 2005, in Dallas, Texas, Lacedric Deshawn Williams was sentenced to 30 months in federal prison, one year of supervised release and ordered to pay restitution of \$85,062.84 to the IRS. Williams had pleaded guilty in April 2005 to two counts of a federal indictment charging aiding and assisting in the preparation of a false and fraudulent income tax return. According to the factual resume filed in court, Williams did business as Lincoln Principal Financial Services, a tax preparation business in Grand Prairie, Texas. Williams admitted that on April 15, 2002, he prepared and caused to be mailed for a taxpayer a U.S. Individual Income Tax Return Form 1040 which reported \$10,500 in false medical and dental expenses and \$11,450 in false charitable donations. Williams admitted he filled in the amounts on the form without asking the taxpayer what his true medical and dental expenses were. That same day, Williams prepared and filed another Form 1040 for another taxpayer in which he falsely and fraudulently reported \$15,400 in medical and dental expenses and \$11,474 in charitable donations. Again, Williams filled in the amounts without asking the taxpayer about his medical and dental expenses.

### **Stone Mountain Tax Preparers Sentenced in Tax Fraud Scheme**

On March 3, 2005, in Atlanta, Ga., Deborah L. Thrower and Shashona P. Payton were sentenced on charges of conspiracy to commit tax fraud. Thrower was sentenced to 21 months in prison, ordered to pay \$337,684 in restitution to the IRS, and was given a three year term of supervised release. Payton was sentenced to a two year term of probation, with a special condition that she serve six months of the probationary term in home confinement. She was also ordered to pay \$60,251 in restitution to the IRS. Thrower and Payton, who are mother and daughter, pled guilty in October, 2004 to conspiring with one another to file false tax returns with the IRS in order to generate fraudulent tax refunds for their clients. For a fee, Thrower and Payton prepared federal income tax returns for their clients that were electronically filed with the IRS. In pleading guilty, the defendants admitted that they knowingly falsified their clients' federal income tax returns in order to generate a fraudulent refund by, among other things, falsely inflating the taxpayer's allowable expenses and deductions, and by falsely reporting the taxpayer's filing status, eligibility for dependent exemptions, individual retirement

account contributions, student loan deductions, child care credits and expenses, and eligibility for the Earned Income Tax Credit. The effect of these false entries was to negate the taxpayer's taxable income, which, when combined with the taxpayer's withholdings, generated a false refund payment by the IRS.

### **Texas Tax Preparer Sentenced to 3 Years in Federal Prison**

On January 3, 2005, in Dallas, Texas, Yolanda Lavell Kaiser was sentenced to 36 months imprisonment following her guilty plea in October to one count of aiding and assisting in the preparation of a false tax return. Kaiser was also ordered to pay \$104,195 in restitution. Kaiser admitted that in February 2002, she prepared a tax return for an individual knowing that it was false and fraudulent in that it overstated the amount of the taxpayer's income and withholding, and falsely represented that the taxpayer was entitled to claim an education credit. Kaiser's preparation of this and other fraudulent tax returns resulted in a tax loss of \$90,095. Kaiser also admitted that at the time she committed this offense, she was in the business of preparing and assisting in the preparation of tax returns and that this offense was a part of a pattern and scheme from which she derived a substantial portion of her income.

### **Van Nuys Tax Preparer Sentenced for Preparing False Income Tax Returns**

On April 18, 2005, in Los Angeles, Calif., Luis Olguin was sentenced to 18 months in prison to be followed by six months of home detention and was ordered to pay \$140,067 in a fine to the IRS. He will also be required to pay a special assessment of \$200. In addition, Olguin is barred from the preparation of tax returns during the three year period of supervised release. Olguin, who operated L&L Professional Services, a tax preparation business, admitted in his plea agreement that he prepared 234 false tax returns for the tax years 2000 through 2002, which claimed false and fraudulent Schedule A deductions.

### **Maryland Tax Return Preparer Sentenced to Prison**

On April 28, 2005, in Greenbelt, Md., Karen D. Harrison was sentenced to 15 months in prison followed by three years of supervised release for income tax evasion and aiding and abetting the filing of false tax returns. According to evidence at trial, Harrison operated a tax return business from 1997 through 1999, and prepared hundreds of income tax returns for her clients. Several of her former clients testified that Harrison prepared returns claiming tax deductions to which the clients were not entitled. In 1998 Harrison received more than \$88,000 for her tax return preparation business. For that year, she filed her own income tax return reporting that she received only \$38,000, failing to report more than \$50,000.

### **Michigan Tax Service Franchise Owner and His Manager Sentenced for Conspiring to Defraud the IRS**

On May 23, 2005, in Detroit, Mich., Preston Harris, manager of a Jackson Hewitt franchise, was sentenced to 18 months in prison to be followed by three years of supervised release. Harris was also ordered to pay \$231,053 in restitution. Previously, on May 6, 2005, William Thomas, co-owner and general manager of three Jackson Hewitt franchises, was sentenced to 30 months in prison to be followed by three years of supervised releases. Thomas was ordered to pay \$229,805 in restitution. On July 26, 2004, Thomas and Harris were convicted by a jury on one count of conspiracy to defraud the IRS by means of fraudulent claims and two counts of filing false claims for refunds. According to court records, Thomas and Harris, along with others, prepared over 50 false tax

returns containing false and fictitious information, enlarging income tax refunds due to their clients by over \$115,000. The false information included claiming false charitable contributions and unreimbursed employment related expenses. Some false returns claimed fictitious dependants and head of household status, along with creating fictitious Schedule C businesses, in order to generate an Earned Income Tax Credit. At sentencing, the total tax loss was calculated to be approximately \$229,000.

### **Ohio Return Preparer Sentenced for Preparing False Income Tax Returns**

On March 9, 2005, in Columbus, Ohio, Ibrahim O. Azeez was sentenced to 12 months and one day in prison, followed by one year supervised release and ordered to pay \$40,146 in restitution for assisting in the preparation of false federal income tax returns. Azeez prepared numerous federal income tax returns which contained large Schedule A itemized deductions claiming inflated medical expenses, charitable contributions and miscellaneous expenses.

### **Court Bars Missouri Woman from Preparing Tax Returns**

On April 26, 2005, in Springfield, Mo., Carrie Ann Shafer of Oronogo, Mo., was permanently barred from working as a federal tax return preparer. She had served customers in Missouri, Kansas, Oklahoma and Texas. The court found that Shafer had fabricated or inflated customers' deductions for various items, including medical and dental expenses, charitable contributions, and business expenses.

### **Federal Court in Alabama Shuts Down Tax Return Preparation Firm**

On June 7, 2005, following a two-day trial in Dothan, Ala., Larry Baxter and his firm, Baxter and Associates Office of Accountancy, P.C., were permanently barred from preparing income tax returns for others. The court found that Baxter engaged in a pattern of filing fraudulent tax returns, inflating or fabricating business income and expenses, and reporting charitable contributions and employee-expense deductions in order to obtain unwarranted higher tax refunds for his customers.

### **Federal Court Bars Hawaii Woman from Preparing Tax Returns**

On December 16, 2005, a federal court barred Lou Ann Palermini Moser of Kailua, Hawaii, from preparing federal income tax returns for others. The court found that Moser organized and sold tax-fraud schemes and prepared federal income returns, actively marketing her schemes to military personnel. According to the court order, Moser engaged in a variety of misconduct, including falsely claiming to be a certified public accountant and an attorney, preparing returns with inflated or fabricated deductions, and improperly advising her customers to obstruct and delay IRS audits.

### **Federal Judge Bars Arizona Couple from Preparing Federal Tax Returns for Others**

On December 30, 2005, a federal court barred Beverly J. and Darrell J. Hill of Mesa, Ariz., from preparing federal income tax returns for others. According to the court order, the defendants — operating under the names Superior Claims Management and [www.getmytaxesback.com](http://www.getmytaxesback.com) — recruited customers by promising to recover previously-paid past taxes for a fee of 25 percent of any refund received.

