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CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION AT SANTA ANA
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UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA, Plaintiff, v. SAMUEL J. DeANGELO; JOE GORDON SHIELDS, a/k/a GORDON SHIELDS; ALAN M. HOVEY; JEFFREY R. WRIGHT; KELLY DAVID, a/k/a DAVID KELLY; and WESTERN TAX SERVICE, INC., Defendants.	No. SA CV 03-251-GLT (MLGx) CONSENT DECREE UNDER I.R.C. § 7407 BETWEEN UNITED STATES AND JOE GORDON SHIELDS, a/k/a GORDON SHIELDS

IT IS HEREBY STIPULATED AND AGREED by the United States of America and defendant Joe Gordon Shields, also known as Gordon Shields ("Shields"), that Shields, along with any agents, servants, employees, attorneys, or other persons in active concert or participation with him, is HEREBY ENJOINED FROM

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PREPARING (OR TAKING ANY ACTION IN FURTHERANCE OF AIDING, ASSISTING, OR ADVISING WITH RESPECT TO THE PREPARATION OF) FEDERAL INCOME TAX RETURNS, including amended returns, until July 1, 2010.

FURTHER, in addition to the seven-year ban on return preparation as provided above, Shields, along with any agents, servants, employees, attorneys, or other persons in active concert or participation with him, is HEREBY PERMANENTLY ENJOINED under I.R.C. § 7407(b) as provided below:

1. <u>Engaging in any conduct subject to penalty under I.R.C. § 6694.</u>

I.R.C. § 6694 prohibits the understatement of tax liability based on unrealistic positions or on willful or reckless conduct. Shields, along with any agents, servants, employees, attorneys, or other persons in active concert or participation with him, is permanently enjoined from engaging in any conduct subject to penalty under I.R.C. § 6694, including but not limited to overstating the allowable amount of charitable contributions and/or employee business expenses on the returns he prepares for compensation.

In furtherance of this injunction, Shields, along with any agents, servants, employees, attorneys, or other persons in active concert or participation with him, shall comply with all applicable laws, regulations and administrative procedures in preparing any return containing deductions for charitable contributions and/or employee business expenses, including, but not limited to, (i) ensuring that such deductions are allowable

and properly documented at the time the return is prepared or filed in accordance with Treas. Pub. 17 (Tax Guide for Individuals), Pub. 526 (Charitable Contributions), Pub. 8283 (Noncash Charitable Contributions), Pub. 529 (Misc. Deductions), Pub. 535 (Bus. Expenses), Pub. 587 (Bus. Use of Your Home), Pub. 946 (How to Depreciate Property) and the official instructions to Form 1040, Sch. A to Form 1040, Form 2106 and 2106-EZ, and Form 8283, retaining copies of such documentation for examination by the IRS, (ii) explaining these deductions to each customer and pointing them out to the customer their location(s) on the return <u>before</u> the customer signs the return, (iii) completing and attaching any and all required Treasury Forms for such deductions, including but not limited to Form 8283 for Noncash Charitable Contributions totaling $500 or more and Form 2106 or 2106-EZ for Employee Business Expenses, and (iv) ensuring that such deductions are properly itemized and reported on Schedule A of the return in accordance with the official instructions thereto and the relevant Treasury Publications identified above. Further, Shields, along with any agents, servants, employees, attorneys, or other persons in active concert or participation with him, is permanently enjoined from advising or suggesting to customers that a taxpayer's cost basis in goods donated to a charitable organization may be used as the fair market value of those goods for purpose of determining the taxpayer's charitable deduction amount. Further, Shields, along with any agents, servants, employees, attorneys, or other persons in active

concert or participation with him, is permanently enjoined from reporting any deduction, offset, "direct expense against W-2 income," or other negative number of any kind on Line 21 of a Form 1040 return unless a statement is attached to the return disclosing all factual and legal grounds for so doing.

2. **Engaging in any conduct subject to penalty under I.R.C. § 6695.**

I.R.C. § 6695 provides, among other things, that tax return preparers must furnish their identifying number on every return they prepare. Shields, along with any agents, servants, employees, attorneys, or other persons in active concert or participation with him, is permanently enjoined from engaging in any conduct subject to penalty under I.R.C. § 6695, including but not limited to failing to furnish their identifying number on every return he prepares.

3. **Misrepresenting Eligibility to Practice Before the IRS.**

I.R.C. § 7407(b)(1)(B) prohibits an income tax return preparer from "misrepresent[ing] his eligibility to practice before the Internal Revenue Service, or otherwise misrepresent[ing] his experience or education as an income tax return preparer." Shields is permanently enjoined from misrepresenting his status as an Enrolled Agent eligible to practice before the IRS.

4. **Interfering with Tax Administration.**

I.R.C. § 7407(b)(1)(D) prohibits tax return preparers from engaging in any fraudulent or deceptive conduct that substantially interferes with the proper administration of the

Internal Revenue Code. Shields, along with any agents, servants, employees, attorneys, or other persons in active concert or participation with him, is permanently enjoined under I.R.C. § 7407(b)(1)(D) from engaging in any fraudulent or deceptive conduct that substantially interferes with the proper administration of the Internal Revenue Code.

5. <u>Additional terms.</u>

Within thirty days hereof, Shields shall provide the government, care of Revenue Agent David A. Gordon, 290 North "D" Street, San Bernardino, California 92401, a list of all of his customers for tax years 2001 and 2002, along with their addresses, telephone numbers and other contact information. Upon request by Revenue Agent Gordon, Shields will make available for copying all federal income tax returns Shields prepared for such periods through the date of this order. Additionally, Shields shall provide Revenue Agent Gordon or his successor with a copy of each federal income tax return (including amended returns) Shields may prepare after the date of this order, such copy to be provided within ten business days of the preparation of the return (or amended return).

Shields has no objection to the government's mailing, at the government's cost and expense, a copy of this Consent Decree to his customers or otherwise notifying them of the terms of this Consent Decree.

The purpose of this Consent Decree is to resolve the claim for injunctive relief against Shields in the above-captioned

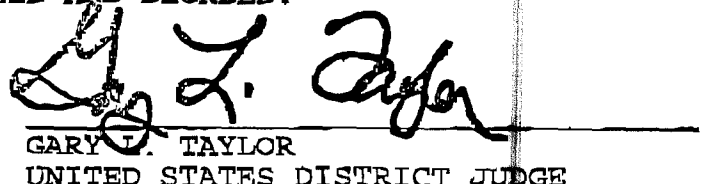
civil proceeding. Nothing in this Consent Decree shall be construed to compromise, preclude or otherwise affect any other proceedings against or involving Shields, civil or criminal, whether now pending or hereafter commenced. Nothing in this Consent Decree shall constitute an admission of liability by Shields for any of the acts alleged in the complaint or suggested herein.

The United States may engage in discovery under Rules 26-37 of the Federal Rules of Civil Procedure to monitor compliance with the terms of this Consent Decree, and this Court shall retain jurisdiction for the purpose of implementing and enforcing this Consent Decree and all additional orders or decrees necessary and appropriate to the public interest.

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

IT IS SO ORDERED, ADJUDGED AND DECREED.

Dated: 6/26/03



GARY L. TAYLOR
UNITED STATES DISTRICT JUDGE

///

Presented by:

DEBRA W. YANG
United States Attorney
EDWARD M. ROBBINS, JR.
Assistant United States Attorney
Chief, Tax Division

6/25/03

ROBERT F. CONTE
Assistant United States Attorney

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Attorneys for the United States of America

Seen and agreed:

NATHAN J. HOCHMAN
Hochman, Salkin, Rettig, Toscher & Perez, P.C.

Attorneys for Joe Gordon Shields

+- **PROOF OF SERVICE BY MAILING**

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

On June 25, 2003, I served

CONSENT DECREE UNDER I.R.C. § 7407
BETWEEN UNITED STATES JOE GORDON SHIELDS,
a/k/a GORDON SHIELDS

on each person or entity named below by enclosing a copy in an envelope addressed as shown below and placing the envelope for collection and mailing on the date and at the place shown below following our ordinary office practices. I am readily familiar with the practice of this office for collection and processing correspondence for mailing. On the same day that correspondence is placed for colleictions and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.

Date of mailing: June 25, 2003

Place of mailing: Los Angeles, California

See attached Service List

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

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

Executed on: June 25, 2003, Los Angeles, California.

GLORIA R. SANDOVAL

USA vs. Samuel J. DeAngelo, et al.
SA CV 03-0251 GLT(MLGx)

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