

1 DEBRA W. YANG
United States Attorney
2 EDWARD M. ROBBINS, JR.
Assistant United States Attorney
3 Chief, Tax Division
ROBERT F. CONTE (SBN 157582)
4 Assistant United States Attorney
Room 7211 Federal Building
5 300 North Los Angeles Street
Los Angeles, California 90012
6 Telephone: (213) 894-6607
Facsimile: (213) 894-0115

ORIGINAL

FILED
JUN 26 2003
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION AT SANTA ANA
BY *[Signature]* DEPUTY

7 W. CARL HANKLA
8 Trial Attorney, Tax Division
U.S. Department of Justice
9 P.O. Box 683, Ben Franklin Station
Washington, D.C. 20044
10 Telephone: (202) 307-6448
11 Facsimile: (202) 307-0054
w.carl.hankla@usdoj.gov

Priority _____
Send _____
Enter _____
Closed _____
JS-5/JS-6 _____
JS-2/JS-3 _____
Scan Only _____

12 Attorneys for United States of America

13 UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

14
15 UNITED STATES OF AMERICA,) No. SA CV 03-251-GLT (MLGx)
16)
Plaintiff,)
17)
v.) CONSENT DECREE UNDER I.R.C. §
18) 7407 BETWEEN UNITED STATES AND
SAMUEL J. DeANGELO; JOE) JOE GORDON SHIELDS, a/k/a
19) GORDON SHIELDS
GORDON SHIELDS; ALAN M.) GORDON SHIELDS
20)
HOVEY; JEFFREY R. WRIGHT;)
21) KELLY DAVID, a/k/a DAVID
KELLY; and WESTERN TAX)
22) SERVICE, INC.,)
23)
Defendants.)

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

ENTER ON ICMS
JUN 27 2003
[Signature]

1000000

[Handwritten signature and stamp]
U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA
JUN 25 2003

1 PREPARING (OR TAKING ANY ACTION IN FURTHERANCE OF AIDING,
2 ASSISTING, OR ADVISING WITH RESPECT TO THE PREPARATION OF)
3 FEDERAL INCOME TAX RETURNS, including amended returns, until July
4 1, 2010.

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

10 1. Engaging in any conduct subject to penalty under I.R.C.
11 § 6694.

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

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

1 and properly documented at the time the return is prepared or
2 filed in accordance with Treas. Pub. 17 (Tax Guide for
3 Individuals), Pub. 526 (Charitable Contributions), Pub. 8283
4 (Noncash Charitable Contributions), Pub. 529 (Misc. Deductions),
5 Pub. 535 (Bus. Expenses), Pub. 587 (Bus. Use of Your Home), Pub.
6 946 (How to Depreciate Property) and the official instructions to
7 Form 1040, Sch. A to Form 1040, Form 2106 and 2106-EZ, and Form
8 8283, retaining copies of such documentation for examination by
9 the IRS, (ii) explaining these deductions to each customer and
10 pointing them out to the customer their location(s) on the return
11 before the customer signs the return, (iii) completing and
12 attaching any and all required Treasury Forms for such
13 deductions, including but not limited to Form 8283 for Noncash
14 Charitable Contributions totaling \$500 or more and Form 2106 or
15 2106-EZ for Employee Business Expenses, and (iv) ensuring that
16 such deductions are properly itemized and reported on Schedule A
17 of the return in accordance with the official instructions
18 thereto and the relevant Treasury Publications identified above.
19 Further, Shields, along with any agents, servants, employees,
20 attorneys, or other persons in active concert or participation
21 with him, is permanently enjoined from advising or suggesting to
22 customers that a taxpayer's cost basis in goods donated to a
23 charitable organization may be used as the fair market value of
24 those goods for purpose of determining the taxpayer's charitable
25 deduction amount. Further, Shields, along with any agents,
26 servants, employees, attorneys, or other persons in active

27

28

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

6 2. Engaging in any conduct subject to penalty under I.R.C.
7 § 6695.

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

16 3. Misrepresenting Eligibility to Practice Before the IRS.

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

24 4. Interfering with Tax Administration.

25 I.R.C. § 7407(b)(1)(D) prohibits tax return preparers from
26 engaging in any fraudulent or deceptive conduct that
27 substantially interferes with the proper administration of the
28

1 Internal Revenue Code. Shields, along with any agents, servants,
2 employees, attorneys, or other persons in active concert or
3 participation with him, is permanently enjoined under I.R.C. §
4 7407(b)(1)(D) from engaging in any fraudulent or deceptive
5 conduct that substantially interferes with the proper
6 administration of the Internal Revenue Code.

7 5. Additional terms.

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

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

25 The purpose of this Consent Decree is to resolve the claim
26 for injunctive relief against Shields in the above-captioned
27

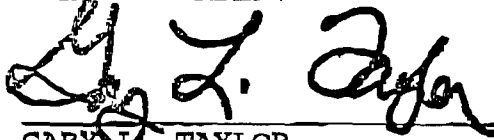
1 civil proceeding. Nothing in this Consent Decree shall be
2 construed to compromise, preclude or otherwise affect any other
3 proceedings against or involving Shields, civil or criminal,
4 whether now pending or hereafter commenced. Nothing in this
5 Consent Decree shall constitute an admission of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

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

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

17 IT IS SO ORDERED, ADJUDGED AND DECREED.

18 Dated: 6/26/03



19
20 GARY L. TAYLOR
UNITED STATES DISTRICT JUDGE

21 ///

1 Presented by:

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

5 Robert F. Conte 6/25/03
ROBERT F. CONTE
6 Assistant United States Attorney

7 W. Carl Hankla by PTC
W. CARL HANKLA
8 Trial Attorney, Tax Div., U.S. Dept. of Justice

9 Attorneys for the United States of America

10 Seen and agreed:

11 Nathan J. Hochman
12 NATHAN J. HOCHMAN
13 Hochman, Salkin, Rettig, Toscher & Perez, P.C.

14 Attorneys for Joe Gordon Shields

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

2

3 Service List

4 Paul William Raymond
5120 Campus Drive
5 Newport Beach, CA 92660-2101

6 Steven Richard Toscher
Hochman Salkin Rettig, et al.
7 9150 Wilshire Blvd., #300
Beverly Hills, CA 90212-3414

8 Michael R. Bruggeman
5120 Campus Drive
9 Newport Beach, CA 92660-2101

10 Brian H. Getz
Attorney at Law
11 44 Montgomery Street, Suite 3850
San Francisco, CA 94104

12

13 Courtesy Copy- Service Via Mail of Interoffice Distribution

14

15 Area Counsel
Internal Revenue Service
16 24000 Avila Road, Suite 4404
Laguna Niguel, CA 92607-0215

17

18 Robert S. Watkins, Esquire
Chief, Civil Trial Section
Western Region
19 U.S. Department of Justice
Tax Division
20 P.O. Box 683, Ben Franklin Station
Washington, D.C. 20044-0683

21

22

23

24

25

26

27

28