U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
JAN 21 2004
CLERK, U.S. DISTRICT COURT
By _____
Deputy

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

UNITED STATES OF AMERICA,	§	
	§	
Plaintiff,	§	
	§	
VS.	§	NO. 4:03-CV-1410-A
	§	
EBONY SCOTT, ET AL.,	§	
	§	
Defendants.	§	

ORDER

Came on for consideration the motion of United States of America for default judgment and permanent injunction against defendants Sherri L. Harris ("Harris") and S-N-K Enterprise, Inc., d/b/a S & K Enterprise, Inc. ("Enterprise"). The court finds that the motion should be granted. United States has alleged in its complaint that:

1. Harris and Enterprise, acting through Harris and other agents, promote and organize an abusive tax shelter, plan, or arrangement based on the submission of frivolous tax returns and requests for refunds masquerading as grant applications, and advising customers to violate the Internal Revenue laws of the United States.

2. In promoting these illegal schemes, Harris and Enterprise have made false statements about the Internal Revenue laws of the United States.

3. Absent an injunction as requested in the complaint, these defendants will continue to promote abusive tax schemes.

4. Harris and Enterprise continually and repeatedly prepare and file income tax returns, amended tax returns, and requests for refunds on behalf of customers.

5. The income tax returns, amended income tax returns, and requests for refunds Harris and Enterprise prepare for customers understate tax liability because they frivolously claim large refunds to which the customers are clearly not entitled.

6. Harris and individuals acting for or on behalf of Enterprise have continually and repeatedly refused to provide a list of customers and tax returns prepared upon request of the Internal Revenue Service.

7. Harris and Enterprise have continually and repeatedly failed either to sign income tax returns they have prepared for customers or to furnish their preparer identification numbers on these returns, as required by law.

8. If an injunction is not granted as requested, the United States will suffer irreparable harm because the conduct of Harris and Enterprise risks substantial revenue losses to the United States Treasury. The Internal Revenue Service will have to devote substantial time and resources

examining customers' returns, and may be unable to detect all of the returns.

9. The positions of Harris and Enterprise regarding their claims are meritless.

10. The income tax returns submitted by Harris and Enterprise contain frivolous and unrealistic positions resulting in an understatement of tax liability.

11. The public is served by granting the requested injunction. If an injunction is granted, it will help to stem the spread of abusive tax schemes.

12. Harris and Enterprise have engaged in conduct subject to penalty under I.R.C. § 6700 through the promotion of sham grant applications based on claims for tax refunds and injunctive relief under I.R.C. § 7408 is appropriate to prevent the recurrence of that conduct.

13. Harris and Enterprise have engaged in conduct that interferes with the administration and enforcement of the Internal Revenue laws of the United States and injunctive relief is appropriate to prevent the recurrence of such conduct under I.R.C. § 7402(a).

14. Harris and Enterprise have engaged in conduct subject to penalty under I.R.C. §§ 6694, 6695, and 6701 by filing false and fraudulent tax returns, failing to provide to the Internal Revenue Service a list of returns they have

prepared, and failing to include their preparer identification numbers on returns and injunctive relief under I.R.C. §§ 7407 and 7408 is appropriate to prevent the recurrence of that conduct.

15. Harris and Enterprise have engaged in conduct subject to injunction under I.R.C. § 7407 continually and repeatedly and an injunction preventing only specified conduct would not be sufficient to prevent the recurrence of that conduct.

16. Harris and Enterprise have engaged in conduct that interferes with the administration and enforcement of the Internal Revenue laws and injunctive relief is appropriate to prevent the recurrence of such conduct under I.R.C. § 7402(a).

Harris and Enterprise are in default and the clerk has entered default against them. Accordingly, they have admitted all the allegations of the complaint and, specifically, those allegations set forth above. Therefore,

The court ORDERS that plaintiff's motion for default judgment and permanent injunction be, and is hereby, granted, and Harris and Enterprise, and all those in active concert or participation with them, be, and are hereby, enjoined from directly or indirectly:

1. further acting as preparers of federal income tax returns;

2. preparing or assisting in the preparation of federal tax returns knowing that they will result in the understatement of any tax liability or the overstatement of federal tax credits or refunds;

3. engaging in any other activity subject to penalty under I.R.C. §§ 6694 or 6695;

4. organizing or selling abusive tax shelters, plans, or arrangements that advise or encourage taxpayers to attempt to evade the assessment or collection of their correct federal tax;

5. making or furnishing, in connection with the organization or sale of an abusive shelter, plan, or arrangement, a statement that they know or have reason to know to be false or fraudulent as to any material federal tax matter;

6. engaging in any other activity subject to penalty under I.R.C. §§ 6700 or 6701; and

7. engaging in other similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

The court further ORDERS that Harris and Enterprise, and all those in active concert or participation with them, within 10 days of service of this order, contact in writing all persons for whom they prepared and/or assisted in the preparation of any federal tax returns or tax-related documents and inform those persons of:

1. the signing and contents of this order and of the final judgment as to certain claims signed this date;

2. the possibility that the United States may seek to recover any erroneous payment those persons may have received; and

3. the possibility of the imposition of frivolous-return penalties against those persons.

Harris and Enterprise shall file a sworn certificate certifying that they have complied with this requirement within 10 days of service of this order.

The court further ORDERS that Harris and Enterprise, and all those in active concert or participation with them, provide counsel for the United States, within ten days of service of this order, all records in their possession or to which they have access, that identify the names, addresses and phone numbers of:

1. all persons or entities, including the taxpayer identification number, to whom Harris and Enterprise gave or sold, directly or indirectly, any materials related to the purported federal grant program for minority-owned businesses;

2. all persons or entities, including the taxpayer identification number, for whom Harris and Enterprise or their associates prepared or assisted in preparing any tax return or other tax-related document;

3. all persons who assisted in the marketing or preparation of materials used by Harris and Enterprise or written materials sent to potential customers;

4. all persons or entities, including the taxpayer identification number, who purchased or used any other tax shelter, plan, or arrangement that Harris and Enterprise have promoted; and

5. all names, addresses, and phone numbers of all individuals of whom they are aware who currently promote or within the last five years have promoted the purported federal grant program for minority-owned businesses promoted by Harris and Enterprise, including all those who have acted as promoters on behalf of S&K Enterprise.

Harris and Enterprise shall file a sworn certificate certifying that they have complied with this requirement within 10 days of service of this order.

The court determines that there is no just reason for delay in, and hereby directs, entry of final judgment as to the disposition of the claims against Harris and Enterprise as set forth above.

SIGNED January 21, 2004.

JOHN McBRYDE
United States District Judge