

IN THE UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA  
MIAMI DIVISION

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	Case No. 1:24-cv-21449
	)	
v.	)	
	)	
NIA DANIEL and	)	
NIA HELP SERVICE, LLC,	)	
	)	
Defendants.	)	
_____	)	

**COMPLAINT FOR PERMANENT INJUNCTION**

1. The United States brings this suit to permanently enjoin Nia Daniel and Nia Help Service, LLC (collectively, “Defendants”), and all persons and entities in active concert or participation with Defendants, from directly or indirectly:

- (a) Preparing, assisting in the preparation of, or directing the preparation of federal tax returns, amended returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents, for any entity or person other than themselves;
- (b) Filing, assisting in the filing of, or directing the filing of federal tax returns, amended returns, or other tax-related documents or forms, including any electronically submitted tax returns or

tax-related documents, for any entity or person other than themselves;

- (c) Using, maintaining, renewing, obtaining, transferring, selling, or assigning any Preparer Tax Identification Number (“PTIN”) or Electronic Filing Identification Number (“EFIN”);
- (d) Owning, operating, managing, profiting from, working in, providing capital or loans to, receiving fees or remuneration from, controlling, licensing, consulting with, franchising, or volunteering at a business that prepares or assists in the preparation of tax returns, amended tax returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents;
- (e) Transferring, selling, or assigning their customer lists and/or other customer information;
- (f) Training, instructing, teaching, creating, or providing guides, memoranda, directions, instructions, or manuals, pertaining to the preparation of federal tax returns;
- (g) Engaging in activity subject to penalty under 26 U.S.C. §§ 6694, 6695, and/or 6701; or
- (h) Engaging in conduct that substantially interferes with the proper administration and enforcement of tax laws.

2. This action is authorized and requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of the Treasury of the United States. It is commenced at the direction of the Attorney General of the United States.

### **JURISDICTION AND VENUE**

3. This Court has jurisdiction pursuant to 26 U.S.C. § 7402(a) and 28 U.S.C. §§ 1340 and 1345.

4. Venue is proper in this Court pursuant to 26 U.S.C. §§ 7407(a) and 7408(a), as well as 28 U.S.C. § 1391, because Ms. Daniel prepares tax returns within this judicial district, Nia Help Service has its principal place of business within this judicial district, and a substantial part of the events giving rise to these claims occurred within this judicial district.

### **BACKGROUND**

#### ***Defendants***

5. Nia Help Service, LLC (“NHS”) is a tax preparation business located in Miami, Florida.

6. NHS is a limited liability company registered with the Florida Division of Corporations in 2015. Ms. Daniel is the sole member and owner of NHS.

7. Ms. Daniel reports NHS’s profits and losses on a Schedule C attached to her Form 1040. She treats the individuals who work for her as

independent contractors for tax purposes.

8. Individuals who prepare or assist in the preparation of tax returns at NHS include at least Ms. Daniel and Nsreen Ali (aka “CeCe”).

9. Ms. Ali is a return preparer with her own PTIN (XX8070). She “preps” some returns before Ms. Daniel completes them.

10. Ms. Daniel prepares most tax returns for customers of NHS. For returns prepared by others, such as Ms. Ali, Ms. Daniel reviews the returns before they are finalized.

11. Ms. Daniel resides in Homestead, Florida.

12. Ms. Daniel has a degree in Business Administration from Miami-Dade College and a medical billing diploma from the National School of Technology in Miami, Florida.

13. In 2012, Ms. Daniel received a Tax Certificate from Liberty Tax’s online Tax School. She continues her tax education by attending Continuing Professional Education courses and IRS Tax Forums.

14. In 2012, Ms. Daniel began preparing tax returns at JRA Tax Services LLC.

15. Ms. Daniel obtained a PTIN (XX9739) in 2012. A PTIN is an IRS-issued identification number that tax return preparers must use to identify themselves on returns they prepare for compensation.

16. In 2018, Ms. Daniel obtained an EFIN (XX8830) for NHS. An EFIN

is an IRS-issued identification number for individuals or firms that have been approved as authorized IRS e-file providers.

17. Ms. Daniel has provided tax preparation services for compensation at NHS since at least 2018.

***Nia Help Service's Operations***

18. NHS accepts customers by appointment and as walk-ins. Each customer submits tax documents (for example, Forms W-2, 1099, and receipts) and a self-completed intake sheet, copies of which are placed in their customer file. The customer is then asked about their work and family situation, but those questions and answers are not documented or included in the customer file.

19. Ms. Daniel typically spends about 25 minutes to one hour with each customer.

20. Ms. Daniel told an IRS interviewer that she charges between \$200 and \$500 per return, depending on the number of forms required. However, subsequent customer interviews revealed that she sometimes charges much more (*see infra* ¶ 76). Ms. Daniel usually deducts her fee from the customer's refund.

21. Since 2020, NHS has electronically filed at least 2,268 Forms 1040 U.S. Individual Income Tax Returns, nearly all of which claimed a refund:

<b>Calendar Year</b>	<b>Returns Filed by NHS</b>	<b>Percent of NHS Returns Claiming a Refund</b>
2020	377	98%
2021	486	98%
2022	521	99%
2023	550	89%
2024	334 (through April 8)	94%
<b>TOTAL</b>	<b>2,268</b>	<b>96%</b>

22. Between 2012 and 2020, the IRS audited 195 tax returns Ms. Daniel filed and found errors on nearly every return.

23. In 2023, the IRS investigated Ms. Daniel's tax preparation activities by interviewing Ms. Daniel, Ms. Ali, and 24 customers whose tax returns Ms. Daniel prepared that year (for tax year 2022). Customers who had also gone to Ms. Daniel in 2022 (for tax year 2021) were asked about those returns as well. The investigation uncovered widespread errors and abuse that harm federal tax administration.

24. As described below, these inaccuracies result from Ms. Daniel's use of various fraudulent schemes, including the following:

- (a) Fabricating business expenses on Schedule C, Profit or Loss from Business (Sole Proprietorship);
- (b) Fraudulently claiming the Work Opportunity Tax Credit;
- (c) Fraudulently claiming other credits, such as the American Opportunity Credit and Residential Energy Credit; and

- (d) Falsifying income and filing status to increase the Earned Income Tax Credit.

Ms. Daniel uses these schemes to reduce the tax she reports for customers and inflate the amount of the refunds she claims.

25. As part of its investigation, the IRS interviewed 24 of Ms. Daniel's customers, most of whom reported that Ms. Daniel reported false information on their returns without their knowledge. The descriptions below contain references to certain customers' accounts. To protect customers' privacy, this Complaint refers to each customer by a number. A Customer Key, which identifies each customer by number, name, and Social Security number, will be served on Defendants with this complaint.

### **Ms. Daniel's Schemes**

#### ***Fictitious and Inflated Expenses and Losses on Schedules C***

26. Self-employed taxpayers typically attach a Schedule C to their Form 1040 to report profit or loss from their small businesses.

27. Ms. Daniel fabricates Schedule C expenses and losses—often without a customer's knowledge—to reduce the amount of Adjusted Gross Income ("AGI") she reports on returns she prepares. This, in turn, reduces the tax shown due on the return and increases the amount of the refund she claims for her customers.

28. Some customers for whom Ms. Daniel claims Schedule C expenses

do not have any businesses and are unaware that Ms. Daniel has included Schedules C with their returns.

29. For example, Ms. Daniel attached fraudulent Schedules C to Customer 1's 2021 and 2022 income tax returns. Customer 1 did not own a business or have any side jobs. Ms. Daniel invented a fake business and reported fictitious gross receipts and expenses to claim a loss of \$14,396 each year that she knew to be false. Customer 1 was not aware that Ms. Daniel had claimed a business on his returns or included Schedules C.

30. For customers who do operate businesses, Ms. Daniel fraudulently claims exaggerated or fictitious expenses to fabricate a loss or significantly reduce the reported profit. She reports dollar amounts her customers do not provide, often making up numbers without the customers' knowledge.

31. The following table summarizes fake or inflated business expenses Ms. Daniel claimed on Schedules C she prepared. Although some portion of these expenses might have been legitimate, each customer confirmed in interviews with the IRS that their actual expenses were significantly lower than what Ms. Daniel reported.



Customer	Tax Year(s)	Expense Claimed
2	2021	\$85,401
	2022	\$19,108
3	2022	\$12,671
4	2021	\$9,168
	2022	\$33,589
5	2021	\$35,222
	2022	\$59,588
6	2022	\$2,887
7	2021	\$1,230
	2022	\$8,100
8	2022	\$1,582
9	2021	\$1,090
	2022	\$5,797
10	2021	\$1,449
	2022	\$7,474

32. For example, Ms. Daniel inflated the amount of business expenses she claimed on the Schedule C she filed with Customer 2's 2021 tax return and fabricated \$40,000 in returns to virtually offset the \$89,422 in gross receipts Customer 2 earned that year as an Uber driver. For 2022, she reported that Customer 2 earned \$1,269 in gross receipts and incurred \$19,108 in expenses, for a net loss of \$17,839. To generate this loss, Ms. Daniel claimed personal expenses, such as personal car and cell phone costs, as business expenses. She also exaggerated business expenses—for example, by reporting that Customer 2 spent over \$10,000 on gas.

33. Similarly, Ms. Daniel exaggerated and invented expenses on Customer 3's 2022 tax return to generate a \$11,196 net loss on Schedule C.

Customer 3 made wigs as a side job. When the interviewer asked Customer 3 whether her wig-making business operated at a loss, Customer 3 appeared puzzled and replied, “No, not at all”; the wig sales generated a profit that helped pay the bills. Customer 3 was not aware that Ms. Daniel had reported the false expenses and fake loss on her Schedule C.

34. Ms. Daniel often makes up numbers when customers do not provide documentation of their expenses. Some of these made-up numbers are wild guesses, others deliberate lies.

35. For example, Ms. Daniel made up numbers on Customer 4’s 2021 and 2022 tax returns. Customer 4 was self-employed as a hairdresser. He did not provide Ms. Daniel with any records of business receipts or expenses, and he did not know the precise amounts himself. When Ms. Daniel discussed Customer 4’s business with him, he gave her only rough estimates of his income and total monthly expenses. In both years, the net profit Ms. Daniel reported on Customer 4’s Schedule C was less than half of his own estimate. Customer 4 never provided her with any “breakdown” of his expenses, even as an estimate. Nevertheless, Ms. Daniel prepared Schedules C with itemized expenses in precise dollar amounts. Some of these expenses, such as supplies, were plausible for Customer 4’s hairdressing business, but the numbers Ms. Daniel recorded were her own guesses. Others, such as uniform, meals, travel, and insurance, were not deductible for Customer 4’s business at all. When

interviewed, Customer 4 stated that he had no idea where Ms. Daniel got any of the numbers on his Schedules C.

36. Ms. Daniel also reported false business expenses on Schedules C for self-employed Customers 5, 6, 7, 8, 9, and 10, reducing each customer's reported AGI to reduce the tax liability shown on the return, and claim credits and/or refunds her customers were not entitled to receive.

***The Work Opportunity Tax Credit Scheme***

37. The Work Opportunity Tax Credit ("WOTC") is a general business credit available to employers for hiring and employing individuals from certain targeted groups that face significant barriers to employment. *See* 26 U.S.C. § 51. The WOTC is claimed on IRS Form 5884, Work Opportunity Credit.

38. To qualify for the WOTC, a prospective employer must obtain certification from a designated local agency that the applicant is a member of a targeted group. 26 U.S.C. § 51(d)(13)(A). In general, the WOTC equals 40% of up to \$6,000 in wages paid to a certified member of a targeted group in their first year of employment. 26 U.S.C. § 51. Thus, the maximum tax credit is generally \$2,400 per employee (40% of \$6,000).

39. Ms. Daniel claims the WOTC for customers who are not entitled to it, often without the customers' knowledge. Most of these customers do not have employees at all.

40. Ms. Daniel claimed the WOTC for 13 of the 24 interviewed

customers (54%). All 13 stated that they did not have any employees and confirmed that the WOTC credits were false. The following table summarizes these false WOTC claims.

<b>Customer</b>	<b>Tax Year(s)</b>	<b>Credit Falsely Claimed</b>
11	2021	\$5,842
	2022	\$3,510
12	2021	\$2,067
	2022	\$2,050
13	2021	\$10,833
1	2021	\$2,462
2	2021	\$1,483
4	2021	\$2,906
8	2021	\$590
10	2021	\$2,977
14	2021	\$2,757
15	2021	\$3,042
	2022	\$1,150
16	2021	\$4,692
17	2021	\$6,584
18	2021	\$3,296

41. Representative examples include:

- (a) Ms. Daniel claimed the WOTC for Customers 11 and 12 for tax years 2021 and 2022. However, both customers were retired and told Ms. Daniel that they did not work. Neither had ever

owned a business. Ms. Daniel attached fraudulent Forms 5884 to their tax returns without their knowledge.

- (b) Ms. Daniel claimed a WOTC of \$10,833 on Customer 13's 2021 tax return—an unusually high amount, given that the maximum per employee is generally \$2,400 (*see supra* ¶ 38). On the Form 5884, Ms. Daniel reported that Customer 13 paid \$9,420 in “qualified first-year wages of employees who worked for [him] at least 120 hours but fewer than 400 hours” (credited at a rate of 25%), \$9,420 in “qualified first-year wages of employees who worked for [him] at least 400 hours” (credited at 40%), and another \$9,420 in “qualified second-year wages of employees certified as long-term family assistance recipients” (credited at 50%). Customer 13 had no employees and did not provide this data to Ms. Daniel.

### ***Other Schemes***

42. Ms. Daniel also uses a variety of other schemes to claim fraudulent credits and deductions for her customers. The following table illustrates instances of other falsely claimed or inflated credits among the interviewed customers.

Customer	Tax Year	Credit	Inflated Amount Claimed
19	2022	Residential Energy Tax Credit	\$3,150
14	2022		\$3,146
15	2021		\$1,198
	2022		\$1,363
17	2021		\$633
20	2022		\$4,771
5	2021	American Opportunity Tax Credit	\$2,000
	2022		\$2,000
7	2021		\$1,000
	2022		\$1,000
21	2021		\$1,000
	2022		\$1,000

43. The Residential Clean Energy Credit (“residential energy credit”) is a nonrefundable tax credit available to help individuals pay for residential alternative energy equipment, such as solar panels, installed on or around their homes. 26 U.S.C. § 25D. It is claimed on Form 5695, Residential Energy Credits.

44. Ms. Daniel claims residential energy credits for taxpayers who are not entitled to them by reporting solar energy expenses her customers never incurred.

45. For example, Ms. Daniel fraudulently claimed a \$3,150 residential energy credit on Customer 19’s income tax return for 2022. Ms. Daniel asked Customer 19 if she had made any home improvements, and Customer 19

provided an invoice for shutters. Customer 19 did not discuss any solar energy purchases with Ms. Daniel, and Ms. Daniel included the Form 5695 without Customer 19's knowledge.

46. Similarly, Ms. Daniel falsely claimed the residential energy credit for Customers 14, 15, 17, and 20 without their knowledge.

47. The American Opportunity Tax Credit ("AOTC") is a credit for qualifying education expenses up to \$4,000 paid for an eligible student in the first four years of higher education. *See* 26 U.S.C. § 25A(b). Expenses covered by scholarships or grants may not be included. § 25A(g)(2). The credit equals 100% of the first \$2,000 in qualifying education expenses plus 25% of the next \$2,000, for an annual maximum of \$2,500 per student. Up to \$1,000 per student is refundable. *See* §§ 25A(b)(1) and 25A(i). The AOTC is claimed on Form 8863, Education Credits (American Opportunity and Lifetime Learning Credits).

48. Ms. Daniel falsely claims the AOTC by overstating customers' education expenses and omitting grants and scholarships.

49. For example, Ms. Daniel claimed an AOTC of \$2,000 on Customer 5's tax returns for 2021 and 2022. Customer 5's two daughters attended Miami Dade College, but Customer 5 told Ms. Daniel that because of grants and scholarships, she incurred no out-of-pocket expenses. Without Customer 5's knowledge, Ms. Daniel reported qualifying education expenses of

\$4,000 for each daughter, claiming the maximum refundable AOTC credit of \$1,000 each.

50. Similarly, Ms. Daniel made false AOTC claims for Customers 7 and 21 by reporting out-of-pocket expenses they did not incur. Both customers informed Ms. Daniel that grants covered most or all of their education expenses. Customer 21 even provided Forms 1098-T, but Ms. Daniel did not report the values on the forms. Neither Customer 7 nor Customer 21 knew about the false education expenses Ms. Daniel reported on their tax return.

### ***The Earned Income Tax Credit Scheme***

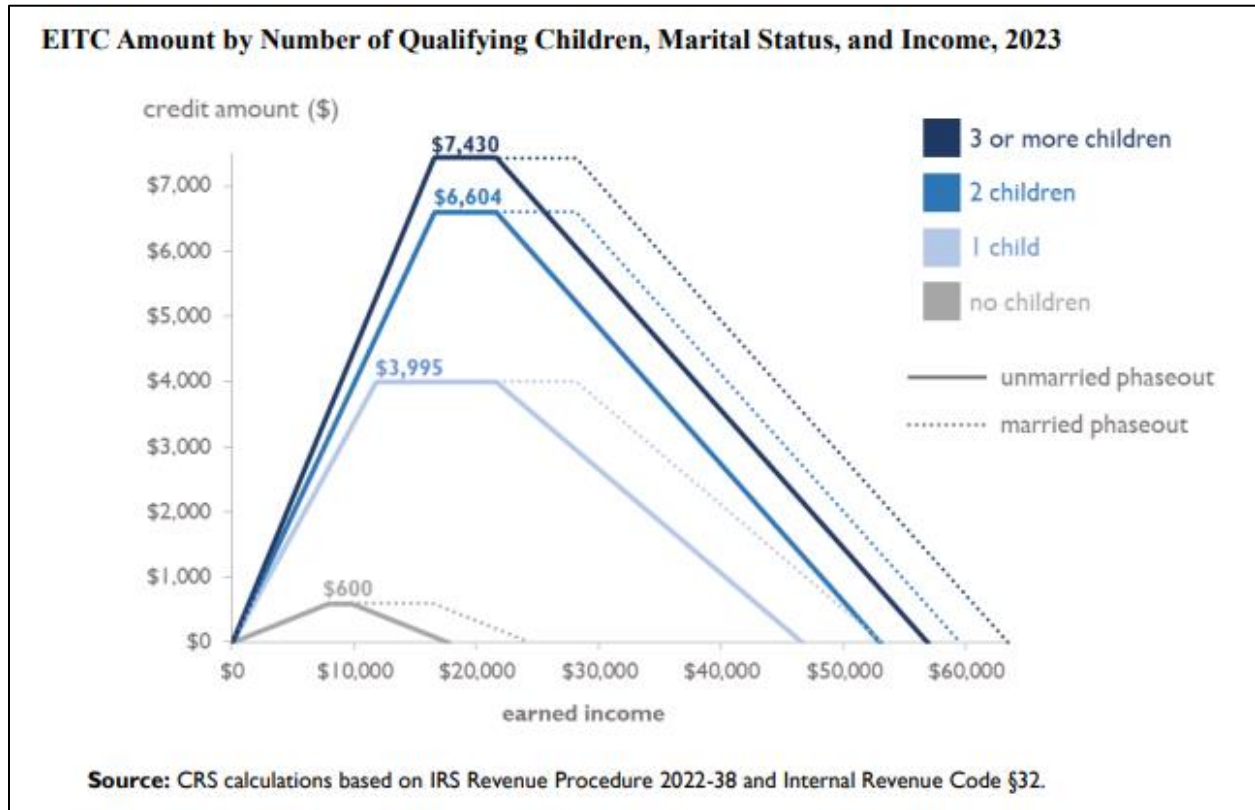
51. The Earned Income Tax Credit (EITC or EIC) is often the payout for Ms. Daniel's other schemes. The EITC is partially refundable, making it a tempting target for paid preparers like Ms. Daniel who take their fees from customers' refunds.

52. The EITC is a credit for working taxpayers with low to moderate income. The amount of EITC for which a taxpayer qualifies depends upon earned income, filing status, and number of dependents. *See* 26 U.S.C. § 32.

53. For each combination of filing status and number of dependents, the amount of the EITC increases as income increases between \$1 and the annual ceiling (set by the IRS for each tax year) and decreases as income increases beyond the ceiling. The range of income corresponding to a maximum



EITC is sometimes referred to as the “sweet spot.” The graph below illustrates EITC amounts for tax year 2023.



Source: Congressional Research Service, The Earned Income Tax Credit (EITC): How It Works and Who Receives It 2 (Nov. 2023), <https://sgp.fas.org/crs/misc/R43805.pdf>.

54. To increase customers’ EITC, Ms. Daniel inflates or fabricates Schedule C business expenses, claims fraudulent deductions, and falsifies filing status. The following examples illustrate how Ms. Daniel manipulates the EITC in customers’ favor.

Customer	Schemes Used to Inflate EITC	Tax Year(s)	Inflated EITC Claimed
1	Schedule C, Filing Status	2021	\$868
		2022	\$3,654
5	Schedule C	2021	\$5,980
		2022	\$6,164
3	Schedule C	2022	\$6,072

55. Ms. Daniel misrepresented Customer 1’s income and filing status for 2021 and 2022 to claim the EITC when he was not eligible.

- (a) For 2021, Ms. Daniel included a fraudulent Schedule C claiming a net loss (*see supra* ¶ 29) to reduce Customer 1’s reported AGI, which was above that year’s EITC limit, and claim a \$868 EITC refund.
- (b) For 2022, Ms. Daniel included a fraudulent Schedule C claiming a net loss (*see id.*) to reduce Customer 1’s reported AGI and claim an EITC refund of \$3,654—close to that year’s maximum for a single taxpayer with one qualifying child.
- (c) For both years, Ms. Daniel claimed that Customer 1’s filing status was Single, though Customer 1 told her he was married. His correct filing status, Married Filing Separately (“MFS”), made him ineligible to claim the EITC, regardless of income. In 2021, a taxpayer filing as MFS was eligible only if they were

separated from their spouse, and Customer 1 was not. In 2022, MFS taxpayers were not eligible at all.

56. Ms. Daniel claimed exaggerated or invented expenses on Schedule C for Customer 5's 2021 and 2022 tax returns (*see supra* ¶¶ 31, 36), falsely reducing Customer 5's reported AGI to claim the maximum EITC for each year.

- (a) For 2021, Ms. Daniel reported false business expenses on Schedule C to reduce Customer 5's AGI, inflating his EITC by nearly \$1,000.
- (b) For 2022, Ms. Daniel falsely reported a "returns and allowances" deduction of \$50,000 on Schedule C to reduce Customer 5's reported AGI from above that year's EITC limit to the "sweet spot" and claim an EITC of \$6,164—the 2022 maximum for a Head of Household taxpayer with two qualifying children. Without this falsely claimed EITC, Customer 5 would not have received a refund in 2022. Ms. Daniel's EITC fraud created a refund, out of which she took her fee.

57. Ms. Daniel reported a fake business loss on Customer 3's 2022 tax return (*see supra* ¶ 33) to offset an increase in Customer 3's W-2 income and keep Customer 3's EITC at the same level as the prior tax year. The fake loss inflated Customer 3's EITC by over \$2,000.

58. Ms. Daniel claimed the EITC for 9 of the 24 interviewed customers (38%), all of whom also had false expenses on Schedule C.

59. Based on its customer interviews, the IRS estimates that the harm from Ms. Daniel's EITC scheme is substantial. Indeed, of the 2,268 income tax returns NHS has filed between 2020 and 2024, 51% claimed the EITC.

**Ms. Daniel's Other Violations of the Internal Revenue Code**

60. In addition to the schemes described above, Defendants also regularly violate the Internal Revenue Code in other ways.

***Failure to Identify the Tax Return Preparer***

61. Section 6109(a)(4) of the Internal Revenue Code (26 U.S.C.) requires tax return preparers to identify themselves by signing with their PTINs all returns they prepare.

62. Ms. Daniel does not sign all tax returns she prepares.

63. Ms. Daniel failed to identify herself as the return preparer for 10 of the 24 interviewed customers (42%) (1, 3, 4, 5, 8, 9, 12, 15, 21, and 22). These customers' tax returns were signed with Ms. Ali's PTIN, but each confirmed in interviews with the IRS that it was Ms. Daniel, not Ms. Ali, who prepared their return.

***Failure to Provide Customers Full Copies of Their Returns***

64. Section 6107 of the Internal Revenue Code requires a paid tax return preparer to provide a complete copy of the return to the customer no

later than when they present the return for the customer to sign. Failure to do so subjects a return preparer to penalties under 26 U.S.C. § 6695(a).

65. Ms. Daniel often includes forms with her customers' income tax returns without the customers' knowledge. Some of the interviewed customers received from Ms. Daniel incomplete copies of their tax returns, with the fraudulent forms omitted.

***Failure to Comply with Due Diligence Requirements***

66. Paid tax return preparers must comply with certain due diligence requirements when claiming the EITC, AOTC, and other frequently abused tax benefits. 26 U.S.C. § 6695(g). Treasury Regulation (26 C.F.R.) § 1.6695-2(b) requires that preparers claiming the EITC: (i) complete and submit Form 8867, Paid Preparer's Due Diligence Checklist; (ii) complete all necessary worksheets showing how the credit was computed; (iii) make reasonable inquiries regarding the information necessary to claim the credit and not ignore implications that the information provided is incorrect; and (iv) retain records of the information, documents, forms, and worksheets used to compute the credit.

67. Form 8867 includes questions such as "If the taxpayer is reporting self-employment income, did you ask questions to prepare a complete and correct Form 1040, Schedule C?" and "Have you determined that the taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the

EIC is claimed, or to claim the EIC if the taxpayer has no qualifying child?” The form requires a preparer to certify that “all of the answers on this Form 8867 are, to the best of [their] knowledge, true, correct, and complete.”

68. Ms. Daniel includes certified Forms 8867 claiming that she has done her due diligence when she has not only failed to substantiate the reported information but knows that the information is false.

69. Ms. Daniel regularly fails to check the accuracy of reported expenses or verify customers’ eligibility for credits. On the contrary, she often invents the false information herself.

**Ms. Daniel’s Prior Warnings from the IRS**

70. Ms. Daniel has a long history of failing to comply with EITC due diligence requirements and has been previously warned.

71. In October of 2014, Ms. Daniel received IRS Letter 4833. EITC return preparers are sent this letter to alert them that they prepared a large number of EITC tax returns containing apparent errors, which upon examination resulted in either significant changes to the amounts of EITC or complete denial of the EITC. The letter reminds the return preparer of due diligence requirements and warns of the consequences for continuing to prepare inaccurate EITC Returns. The return preparer is advised that the IRS will be monitoring the returns they prepare for taxpayers and the quality of the EITC claimed on those returns. They are also warned that if the returns

do not significantly improve in quality, they will be subject to follow-up procedures, including the possibility of an on-site audit with penalties asserted.

72. In March of 2018, Ms. Daniel received IRS Letter 5364, which alerts a preparer that they have filed tax returns that did not include the required Form 8867, Paid Preparer's Due Diligence Checklist, for 2 or more paper returns that contained the EITC, AOTC, Child Tax Credit, and/or the Additional Child Tax Credit.

73. In October of 2022, Ms. Daniel was interviewed by two IRS agents. The agents asked Ms. Daniel about NHS's practices, especially the due diligence she and her employees did when customers claimed Schedule C business expenses and credits such as the EITC. The agents explained the due diligence requirements to her.

74. Despite these warnings, Ms. Daniel continues to prepare fraudulent tax returns and claim the EITC without performing the required due diligence.

### **Ms. Daniel's Unjust Profits**

75. Ms. Daniel profits handsomely from her unscrupulous conduct. She typically charges \$200 to \$500—often much more—despite spending only about 25 minutes to one hour with each customer.

76. Ms. Daniel often takes a larger fee than her customers realize.

Because she usually deducts her fee from the customer's refund, and she often fails to review the tax returns adequately, many customers have no idea how much Ms. Daniel charges them. For example:

- (a) Ms. Daniel took \$661.90 from Customer 21's 2022 tax refund.

When interviewed, Customer 21 stated that she did not know how much Ms. Daniel charged her. Ms. Daniel regularly takes her fee from the refund, which she writes for Customer 21 on a Post-it note.

- (b) Ms. Daniel took \$1,130 from Customer 1's 2021 income tax refund and \$860 from Customer 1's 2022 income tax refund. For 2021, an itemized invoice reveals that the high cost included fees for forms Ms. Daniel filed fraudulently and without Customer 1's knowledge, including \$350 for the Schedule C, \$100 for the Schedule EIC, Earned Income Credit Qualifying Child Information, and \$35 for the EITC due diligence checklist she dishonestly certified. *See supra* ¶¶ 29, 55.

- (c) Ms. Daniel took \$925 from Customer 9's 2022 income tax refund. When the interviewer asked Customer 9 how much she had paid, she had to look it up on her phone. Customer 9 discovered that \$1,201 in fees had been taken from her refund, \$925 of which was identified as Ms. Daniel's preparation fee.



77. Ms. Daniel can charge such high fees without losing customers because she obtains falsely inflated refunds. For customers who are not entitled to refunds, Ms. Daniel often uses her schemes to generate fraudulent refunds from which she can take her fees.

### **HARM TO THE UNITED STATES**

78. Defendants' pattern of preparing returns that understate their customers' taxes and overstate their refunds, through the schemes described above, has resulted in the loss of significant federal tax revenue, estimated to exceed \$500,000 in 2023 alone.

79. In many instances, Defendants' fraudulent practices caused the United States to issue refunds that the customers were not entitled to receive.

80. In addition, the United States has had to bear the substantial cost of examining the returns Defendants have prepared and collecting the understated liabilities and overstated refunds from their customers.

81. Apart from the direct harm caused by preparing tax returns that fraudulently understate customers' tax liabilities and overstate their refunds, Defendants' activities encourage noncompliance by their customers with the internal revenue laws. Defendants' fraudulent preparation practices create illegally inflated refunds under the pretenses of legitimate return preparation practices, and thereby encourage their customers to continue using their services. Defendants' practices also harm customers who pay substantial fees

for what they believe to be honest return preparation services, but eventually learn that they owe money to the IRS because of the inaccuracies reported on their returns.

82. Because of Defendants' fraudulent schemes, some customers' returns inaccurately claim the EITC or claim an inaccurate credit amount. These falsified claims undermine public confidence in a statutory credit meant to encourage low-income workers with young children to maintain employment. Similarly, Defendants' abuse of the AOTC undermines public confidence in statutory credits meant to encourage students' pursuit of higher education.

83. Defendants' illegal conduct also harms honest tax return preparers because, by preparing tax returns that unlawfully claim bogus business losses that falsely inflate customers' refunds, Defendants gain a competitive advantage over tax return preparers who prepare returns in accordance with the law. Customers who are satisfied with the tax refunds they receive but are unaware of Defendants' illegal return practices often return to them for subsequent tax seasons.

**COUNT I: INJUNCTION UNDER 26 U.S.C. § 7407 FOR CONDUCT  
SUBJECT TO PENALTY UNDER 26 U.S.C. §§ 6694 AND 6695**

84. The United States incorporates by reference the allegations contained in paragraphs 1 through 83.

85. Section 7407 of the Internal Revenue Code authorizes a district court to enjoin a person who is a tax return preparer from engaging in certain conduct or from further acting as a tax return preparer. The prohibited conduct justifying an injunction includes the following:

- (a) Engaging in conduct subject to penalty under 26 U.S.C. § 6694(a), which penalizes a tax return preparer who prepares a return that contains an understatement of tax liability or an overstatement of a refund due to an unreasonable position that the preparer knew or should have known was unreasonable;
- (b) Engaging in conduct subject to penalty under 26 U.S.C. § 6694(b), which penalizes a tax return preparer who prepares a return that contains an understatement of tax liability or an overstatement of a refund due to willful or reckless conduct;
- (c) Engaging in conduct subject to penalty under 26 U.S.C. § 6695(a), which penalizes a tax return preparer who fails to furnish a complete copy of the return to the taxpayer as required by 26 U.S.C. § 6107(a);
- (d) Engaging in conduct subject to penalty under 26 U.S.C. § 6695(b), which penalizes a tax return preparer who fails to sign a prepared return when required to do so;

- (e) Engaging in conduct subject to penalty under 26 U.S.C. § 6695(c), which penalizes a tax return preparer who fails to furnish an identification number (PTIN) as required by 26 U.S.C. § 6109(a)(4);
- (f) Engaging in conduct subject to penalty under 26 U.S.C. § 6695(g), which penalizes a tax return preparer who fails to comply with due diligence requirements in determining eligibility for and amount of the EITC or certain other credits; or
- (g) Engaging in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws.

86. For a court to issue such an injunction, the court must find that:

- (a) The tax return preparer engaged in the prohibited conduct; and
- (b) Injunctive relief is appropriate to prevent recurrence of such conduct.

87. If a tax return preparer's conduct is continual or repeated and the court finds that a narrower injunction would not be sufficient to prevent the preparer's interference with the proper administration of the internal revenue laws, the court may permanently enjoin the person from acting as a tax return preparer. 26 U.S.C. § 7407(b).

88. Defendants have repeatedly and continually engaged in conduct subject to penalty under 26 U.S.C. § 6694(a) by preparing returns that understate their customers' tax liabilities and overstate their refunds. As described above, Defendants have prepared returns that claim deductions for expenses that were not incurred by the taxpayers and credits to which the taxpayers are not entitled. Defendants have done so with the knowledge that the positions taken on the returns were unreasonable and lacked substantial authority. Defendants have thus engaged in conduct subject to penalty under 26 U.S.C. § 6694(a).

89. Additionally, Defendants have engaged in conduct subject to penalty under 26 U.S.C. § 6694(b) by willfully understating customers' tax liabilities and overstating their refunds. As described above, Defendants have prepared returns that claim deductions for expenses that were not incurred by their customers and credits to which their customers are not entitled. Defendants' conduct was a willful attempt to understate the liability for tax on the returns or a reckless or intentional disregard of rules or regulations. Defendants have thus engaged in conduct subject to penalty under 26 U.S.C. § 6694(b).

90. Defendants have engaged in conduct subject to penalty under 26 U.S.C. § 6695(a) by failing to provide customers complete copies of their tax returns.

91. Defendants have engaged in conduct subject to penalty under 26 U.S.C. §§ 6695(b) and 6695(c) by preparing and filing tax returns that do not accurately identify the return preparer.

92. As confirmed in the interviews discussed above, Defendants have engaged in conduct subject to penalty under 26 U.S.C. § 6695(g) by failing to comply with due diligence requirements in determining eligibility for and amount of the EITC, AOTC, or certain other credits.

93. Defendants' conduct substantially interferes with the administration of the internal revenue laws. Injunctive relief is necessary to prevent this misconduct because, absent an injunction, Defendants are likely to continue preparing false federal income tax returns.

94. A narrower injunction would be insufficient to prevent Defendants' interference with the administration of the internal revenue laws. Ms. Daniel has received written warnings from the IRS but has continued to prepare fraudulent returns. Moreover, Defendants prepare returns understating their customers' liabilities and overstating their refunds through multiple schemes that report false information on their customers' tax returns, and the IRS may not yet have identified all of the schemes that Defendants use. Failure to permanently enjoin Defendants will require the IRS to spend additional resources to uncover all of their future schemes. The harm resulting from these schemes includes both the expenditure of these resources and the revenue loss

caused by the improper deductions and credits Defendants claim on returns they prepare. Accordingly, only a permanent injunction is sufficient to prevent future harm. Ms. Daniel and NHS should be enjoined from preparing tax returns for others.

**COUNT II: INJUNCTION UNDER 26 U.S.C. § 7408 FOR CONDUCT  
SUBJECT TO PENALTY UNDER 26 U.S.C. § 6701**

95. The United States incorporates by reference the allegations contained in paragraphs 1 through 83.

96. Section 7408 of the Internal Revenue Code authorizes a district court to enjoin any person from engaging in conduct subject to penalty under 26 U.S.C. § 6701, which penalizes a person who aids or assists in the preparation of tax returns that the person knows will result in an understatement of tax liability.

97. Defendants have repeatedly and continually engaged in conduct subject to penalty under 26 U.S.C. § 6701 by preparing income tax returns that claim credits and deductions they knew to be improper, false, and/or inflated.

98. Defendants' repeated actions fall within 26 U.S.C. § 7408, and injunctive relief is appropriate to prevent recurrence of this conduct.

99. If Defendants continue to act as tax return preparers, their conduct will result in irreparable harm to the United States, and the United States has no adequate remedy at law.

100. Defendants' conduct has caused, and will continue to cause, substantial tax losses to the United States Treasury, much of which may be undiscovered and unrecoverable. The IRS will have to devote substantial and unrecoverable time and resources to auditing their customers individually to detect understated liabilities and overstated refund claims unless the Court enjoins Defendants' activities.

101. The detection and audit of erroneous tax credits and deductions claimed on returns prepared by Defendants would be a significant burden on IRS resources.

**COUNT III: INJUNCTION UNDER 26 U.S.C. § 7402 FOR UNLAWFUL  
INTERFERENCE WITH ENFORCEMENT OF THE INTERNAL  
REVENUE LAWS**

102. The United States incorporates by reference the allegations contained in paragraphs 1 through 83.

103. Section 7402(a) of the Internal Revenue Code authorizes a district court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

104. Defendants have repeatedly and continually engaged in conduct that interferes substantially with the administration and enforcement of the internal revenue laws.



105. If Defendants continue to act as tax return preparers, their conduct will result in irreparable harm to the United States, and the United States has no adequate remedy at law.

106. Defendants' conduct has caused and will continue to cause substantial tax losses to the United States Treasury, much of which may be unrecoverable. Moreover, unless Defendants are enjoined from preparing returns, the IRS will have to devote substantial and unrecoverable time and resources to auditing Defendants' customers individually to detect understated liabilities and overstated refund claims.

**COUNT IV: DISGORGEMENT UNDER 26 U.S.C. § 7402(a)**

107. The United States incorporates by reference the allegations contained in paragraphs 1 through 83.

108. 26 U.S.C. § 7402(a) authorizes a district court to issue orders of injunction as may be necessary or appropriate for the enforcement of the internal revenue laws.

109. Defendants' conduct substantially interferes with the enforcement of the internal revenue laws. Specifically, Defendants have caused the United States to issue tax refunds to individuals not entitled to receive them. Without Defendants' conduct, the United States would not have issued these unmerited refunds.

110. Defendants have unjustly profited from their misconduct at the expense of the United States. In particular, they routinely subtract their fees from their customers' improper refunds.

111. Defendants are not entitled to these ill-gotten gains. Using its broad authority under § 7402(a), the Court should enter an order requiring Defendants to disgorge to the United States the unlawful profits (in the form of fees subtracted from customers' tax refunds) they have obtained for the preparation of federal tax returns that make grossly incompetent, negligent, reckless, and/or fraudulent claims.

### **RELIEF REQUESTED**

Plaintiff, the United States of America, respectfully requests the following:

A. That the Court find that Defendants have repeatedly and continually engaged in conduct subject to penalty under 26 U.S.C. §§ 6694 and 6695 and that injunctive relief is appropriate under 26 U.S.C. § 7407 to prevent recurrence of that conduct;

B. That the Court find that Defendants have repeatedly and continually engaged in conduct subject to penalty under 26 U.S.C. § 6701 and that injunctive relief is appropriate under 26 U.S.C. § 7408 to prevent recurrence of that conduct;

C. That the Court find that Defendants have repeatedly and continually engaged in conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws and that injunctive relief is appropriate under 26 U.S.C. § 7402(a) to prevent recurrence of that conduct;

D. That the Court enter a permanent injunction prohibiting Defendants, any entity through which Defendants conduct business, and all persons and entities in active concert or participation with Defendants from directly or indirectly:

- (1) Preparing, assisting in the preparation of, or directing the preparation of federal tax returns, amended returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents, for any entity or person other than themselves;
- (2) Filing, assisting in the filing of, or directing the filing of federal tax returns, amended returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents, for any entity or person other than themselves;
- (3) Using, maintaining, renewing, obtaining, transferring, selling, or assigning any Preparer Tax Identification

Number (“PTIN”) or Electronic Filing Identification Number (“EFIN”);

- (4) Owning, operating, managing, profiting from, working in, providing capital or loans to, receiving fees or remuneration from, controlling, licensing, consulting with, franchising, or volunteering at a business that prepares or assists in the preparation of tax returns, amended tax returns, or other tax-related documents or forms, including any electronically submitted tax returns or tax-related documents;
- (5) Transferring, selling, or assigning their customer lists and/or other customer information;
- (6) Training, instructing, teaching, creating, or providing guides, memoranda, directions, instructions, or manuals, pertaining to the preparation of federal tax returns;
- (7) Engaging in activity subject to penalty under 26 U.S.C. §§ 6694, 6695, and/or 6701;
- (8) Engaging in conduct that substantially interferes with the proper administration and enforcement of tax laws.

E. That the Court enter an order requiring Defendants at their own expense:

- (1) To send, within 14 days of entry of this injunction, by United States mail, and if an email address is known, by email, a copy of the final injunction entered against Defendants in this action, as well as a copy of the Complaint in this action, to each person for whom they prepared federal income tax returns or any other federal tax forms after January 1, 2021;
- (2) To turn over to the United States a list with the name, address, telephone number, email address, and social security number or other taxpayer identification number of each customer for whom Defendants prepared returns after January 1, 2021, to the extent that this information is in the possession, custody, or control of Defendants or anyone acting on Defendants' behalf;
- (3) To prominently post, within 14 days of entry of this injunction, a copy of the Injunction in Defendants' place of business where tax returns were prepared by Ms. Daniel. Defendants shall keep the Injunction posted there until all business signage has been removed and the lease has been terminated;
- (4) To post, within 14 days of entry of this injunction and in a prominent location, on all social media accounts and

websites used to advertise Defendants' tax preparation services, a statement that they have been permanently enjoined from the preparation of tax returns; to set all business email addresses used for Defendants' tax preparation services to auto-reply to all received emails with a statement that they have been permanently enjoined from the preparation of tax returns; and to change the voicemail message on all business phones used for Defendants' tax preparation services to a statement that they have been permanently enjoined from the preparation of tax returns. Defendants will maintain the posts required by this paragraph on their social media accounts for one year, after which they will close the accounts. Defendants will close their websites, business phones, and email addresses used for Defendants' tax preparation services within 30 days of entry of the final Permanent Injunction in this action. Once closed, the websites, social media accounts, business phones, and emails are no longer required to carry the posts and messages described in this paragraph. In the alternative, Defendants may immediately close all business websites,

social media accounts, business phones, offices, and email accounts;

- (5) To file a sworn statement with the Court evidencing Defendants' compliance with the foregoing directives within 45 days of entry of the final injunction in this action; and
- (6) To keep records of Defendants' compliance with the foregoing directives, which may be produced to the Court, if requested, or the United States pursuant to paragraph G, *infra*.

F. That the Court order, without further proceedings:

- (1) The immediate revocation of any and all PTINs and ERINs held by, assigned to, or within control of Defendants pursuant to 26 U.S.C. § 6109;
- (2) That Ms. Daniel cease using any other PTINs or EFINs; and
- (3) The immediate revocation of any EFIN held by, assigned to, or within the control of NHS.

G. That the Court enter an order, pursuant to 26 U.S.C. § 7402(a), requiring Defendants to disgorge to the United States the unlawful profits (the amount of which is to be determined by the Court) that Defendants have obtained (in the form of fees charged to customers) for the preparation of

federal tax returns that make grossly incompetent, negligent, reckless, and/or fraudulent claims;

H. That the Court enter an order allowing the United States to monitor Defendants' compliance with the injunction through formal and informal discovery, including but not limited to requests for the production of documents, interrogatories, and depositions in accordance with the Federal Rules of Civil Procedure;

I. That the Court enter an order informing Defendants that their failure to comply with the injunction may result in sanctions of civil and/or criminal contempt, including but not limited to:

- (1) Disgorgement of fees for returns prepared in violation of the injunction;
- (2) Reimbursement to the United States of all costs associated with enforcing the injunction;
- (3) Seizure of items with returns are being prepared, including computers;
- (4) Daily fines during non-compliance;
- (5) Barring access to the location(s) at which returns are being prepared in violation of the injunction, including permitting the United States to change the locks at any location at which returns are prepared in violation of the injunction to



prevent employees and customers from entering the location; and

- (6) Appointment of a receiver to take possession of any business at which Defendants prepare returns in violation of this injunction and the assets of said business and to sell the business and its assets to pay any civil compensatory sanctions imposed on Defendants.

J. That the Court retain jurisdiction over Defendants and this action to enforce any permanent injunction entered; and

I. That the Court grant the United States such other relief, including costs, as is just and equitable.

Dated: April 18, 2024

Respectfully submitted,

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Deputy Assistant Attorney General

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