



City Attorney Dennis Herrera News Release

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Herrera’s Instant Tax lawsuit seeks full restitution for defrauded low-income filers

Baiting low-income taxpayers with small “refund anticipation loans,” tax-preparer Kebron Daniel pocketed fees of as much as \$1,500 for loans as small as \$50

SAN FRANCISCO (Nov. 20, 2014)—City Attorney Dennis Herrera has filed suit against an Oakland, Calif.-based franchisee of Instant Tax Service—an embattled company that was once the nation’s fourth-largest tax preparation service—for a host of illegal business practices that defrauded low-income taxpayers throughout California. In a 16-page civil complaint filed in San Francisco Superior Court yesterday, Herrera alleges that one-time Instant Tax franchisee Kebron Daniel engaged in tax preparation and loan-making schemes that routinely skimmed profligate fees from refunds owed to unsuspecting taxpayers—pocketing fees of as much as \$1,500 for loans as small as \$50.

Daniel has largely run his seasonal Instant Tax business out of check-cashing outlets in low-income neighborhoods across the state, including locations in San Francisco, Los Angeles, San Diego, Antioch, Carmichael, Compton, Hayward, Inglewood and Martinez. The tax preparation and loan-making scheme appears to target working families eligible for the Earned Income Tax Credit, a refundable credit under federal law that aims to boost low-wage workers out of poverty. Often lured by the promise of quick refunds or small “refund anticipation loans,” taxpayers hired Daniel’s company to complete and file their tax returns electronically. But the company’s pattern has been to mislead consumers at every turn: failing to provide required disclosures, failing to disclose the full cost of services, failing to provide copies of tax documents, and—most egregiously—directing its customers’ refunds into its own account without taxpayers’ consent or knowledge. From there, Daniel’s company would usually withhold large, undisclosed portions of the eventual refunds before providing a significantly diminished balance—if anything—to customers.

“There may be a special place in Hell for those who rob low-income families, but until then I’m grateful for tough consumer protection laws that allow us to aggressively pursue wrongdoers like Kebron Daniel for every dollar he’s defrauded from taxpayers,” said Herrera. “Even in the context

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of the hundreds of cases my office has taken on to fight wage and benefit theft, arbitration fraud, payday lender scams and more, this company's extortionate greed is breathtaking. It's an illegal business that preys on low-income families, robbing them of the modest tax credit federal law authorizes to improve their means. I'm very grateful to KTVU-TV 2 Investigates unit for tipping my office off to this wrongdoing, and to my office's Complex and Affirmative Litigation Team, which investigated and brought the case. I hope this action sends a strong warning to those who would ever consider engaging in similar fraudulent practices, and that it also serves as a cautionary reminder to all taxpayers to be vigilant in seeking tax preparation services with integrity."

Resources available to consumers seeking reputable tax preparation services include the IRS's Volunteer Income Taxpayer Assistance program, which provides free tax help to anyone earning under \$53,000 annually. Information about the VITA and instructions for finding nearby providers is available online at: <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers>. The IRS also offers tips on how best to choose a tax preparer at: <http://www.irs.gov/uac/Newsroom/IRS-Offers-Advice-on-How-to-Choose-a-Tax-Preparer>.

If Herrera's lawsuit is successful, it would secure a sweeping court order requiring that Daniel and his corporate alter ego, LILAY, Inc., fully restore all funds defrauded from his customers; pay \$2,500 in civil penalties for each unlawful act; pay the costs of Herrera's lawsuit; and be permanently enjoined from engaging in further unlawful acts.

Kebron Daniel does business as an apparent franchisee of Instant Tax Service, whose parent company, ITS Financial LLC, was shuttered by a federal court in Ohio last year for a raft of fraudulent practices. The company claimed at the time to be the fourth-largest tax-preparation firm in the nation, with about 150 franchisees nationwide, according to a Nov. 7, 2013 U.S. Justice Department News Release.

About the S.F. City Attorney's Complex and Affirmative Litigation Team

The San Francisco City Attorney's Office's Complex and Affirmative Litigation Team pursues public interest civil cases under California's Unfair Competition Law, which are funded virtually exclusively by civil recoveries—not taxpayer dollars. The award-winning program, for which the National Association of Consumer Advocates recognized Dennis Herrera as its 2009 Consumer Attorney of the Year, reflects voter-enacted changes to California law that require civil penalties recovered by public prosecutors to be used exclusively to enforce consumer protection laws. Since voters passed the amendments as part of Proposition 64 in 2004, Herrera's Complex and Affirmative Litigation Team has recovered some \$20 million in successful battles against unlawful business practices that include price-fixing, illegal marketing, credit card collections arbitration scams and more. The team's work has helped win equally important industry reforms to help protect consumer privacy, end discriminatory practices in health insurance and media metrics, protect immigrants, halt predatory evictions, and obtain recoveries for victims of wage theft.

The case is: *People of the State of California ex rel. Dennis Herrera v. LILAY, Inc. d/b/a INSTANT TAX, et al.*, San Francisco Superior Court Number CGC-14-542789, filed Nov. 19, 2014. For more information on the San Francisco City Attorney's Office, visit: <http://www.sfcityattorney.org/>.