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UNITED STATES DISTRICT COURT  
DISTRICT OF NEVADA

\* \* \*

JAMES C. SEXTON JR. AND ESQUIRE  
GROUP LLC,

Plaintiffs,

v.

KAREN L. HAWKINS, Director of Office Of  
Professional Responsibility, Internal Revenue  
Service, Department of Treasure,

Defendant.

Case No. 2:13-cv-00893-RFB-VCF

**ORDER**

**I. INTRODUCTION**

Before the Court are Plaintiff James Sexton's Motion for Judgment on the Pleadings (ECF No. 56) and Defendant Karen Hawkins's Motion for Summary Judgment (ECF No. 59, 64). This case arises from an investigation by the Office of Professional Responsibility (OPR) for the Internal Revenue Service (IRS) of Plaintiff James Sexton and his company, Plaintiff Esquire Group LLC, regarding his status as a practitioner for tax purposes. Compl. at 4.

**II. BACKGROUND**

**A. Factual Allegations, Admitted by Defendant<sup>1</sup>**

The Court finds the following facts to be undisputed. This case arises from an investigation by the Office of Professional Responsibility (OPR) for the Internal Revenue Service (IRS) of

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<sup>1</sup> The Court draws upon Plaintiff's Complaint (ECF No. 1), Defendant's Answer (ECF No. 45), and Defendant's Statement of Material Facts (ECF No. 62) as well as oral argument before the Court in determining the undisputed facts.

1 Plaintiff regarding his status as a practitioner for tax purposes. Plaintiff was previously a lawyer  
2 barred in South Carolina. Id. at ¶ 8. In 2005, Sexton pleaded guilty to four counts of mail fraud  
3 and one count of money laundering. Id. at ¶ 9. Sexton was subsequently disbarred in South  
4 Carolina and then suspended from practicing before the IRS by OPR in 2008. Id. at ¶ 10. He has  
5 not challenged this suspension. Id. at ¶ 10.

6 Prior to and during his suspension, Sexton has offered professional tax services as president  
7 of Esquire Group, LLC (“Esquire”). Id. at ¶ 13. Sexton assists with the preparation of tax returns  
8 for individual clients of Esquire. Id. at ¶ 14. He also performs various other duties within the scope  
9 of his employment with Esquire, including management, marketing, and client relations. Id. at ¶  
10 13. In September 2012, OPR received a complaint from Louise M. Kern, a former client of Sexton  
11 and Esquire. Defs. Resp. to MSJ, ECF No. 59, 5. Sexton assisted Kern in preparing her tax returns  
12 for 2010 and 2011, and offered to send her a written memorandum analyzing her options regarding  
13 her business’ tax obligations. Id. at 7. Before accepting Sexton’s offer, Kern found out about  
14 Sexton’s disbarment, and fired him in an email on September 12, 2012. Id. at 9. Following Kern’s  
15 Complaint, OPR initiated an investigation of whether Sexton was violating his suspension from  
16 practicing before the IRS. Id.

17 In October 2012 OPR wrote a letter to the Supreme Court of South Carolina seeking  
18 information regarding Sexton’s education and the date upon which he first became licensed to  
19 practice law in South Carolina. Id. at ¶ 18. On or about February 25, 2013, OPR sent a request to  
20 Sexton, as president of Esquire, for information related to an investigation of alleged unauthorized  
21 practice by Sexton during his suspension. Id. at ¶ 23. The letter’s reference line read, “Re:  
22 Suspected Practitioner Misconduct Under Circular 230”, and represented the onset of an OPR  
23 investigation. (ECF 1-1). Citing section 10.20(a)(3) of Treasury Department Circular No. 230  
24 (Regulations Governing Practice before the Internal Revenue Service) as the authority for its  
25 request, OPR requested a wide range of information from Sexton, alleging that this information  
26 was “required under section 10.2(a)(3)”. This included a request for detailed information on  
27 Sexton’s educational background; documents related to the incorporation of Esquire Group and its  
28 entity structure; a list of all members, employees, and independent contractors of Esquire Group

1 from the date of incorporation to the present; “any and all documents...and all information related  
2 to Esquire Group’s business plan”; and an array of detailed requests regarding documents provided  
3 to clients “relating to the preparation, the filing, and/or the submission of the clients’ Federal and  
4 State tax returns.”

5 Sexton requested OPR to limit the scope of its original request for information. OPR  
6 amended its request for information in an e-mail sent on April 12, 2013. *Id.* at ¶ 29. Sexton’s  
7 Complaint in this case seeks to determine whether Defendants have jurisdiction or authority over  
8 him, such that they can compel such disclosures from him, under 31 U.S.C. § 330.

9 Sexton seeks the following relief:

- 10 1) A declaratory judgment by the Court that Sexton is not a practitioner as defined by  
11 federal law and that Defendants lack statutory authority to enact, promulgate or enforce  
12 demands or authority over him and/or his employer Esquire as a result of Sexton’s  
13 activities.
- 14 2) A declaratory judgment by the Court that Defendants and their agents are prohibited  
15 from regulating the providing of tax advice generally, except as specifically provided  
16 by statute and conferred upon them by Congress.
- 17 3) A permanent injunction prohibiting Defendants or their agents from seeking to enforce  
18 Section 10.20 of Circular 230 against him.

19 **B. Procedural History**

20 Plaintiffs James Sexton and Esquire Group (Plaintiffs) filed their Complaint against  
21 Defendant Hawkins on May 21, 2013. ECF No. 1.

22 Defendant filed a Motion to Dismiss on August 16, 2013. ECF No. 20. The Court held oral  
23 argument on this Motion on September 18, 2014. ECF No. 37. The Court later denied the Motion.  
24 ECF No. 42. Defendant appealed this decision on December 15, 2014. ECF No. 46. The parties  
25 later voluntarily dismissed this appeal. ECF No. 71.

26 Plaintiffs filed a Motion for Judgment on the Pleadings on November 9, 2015. ECF No.  
27 56. Defendant filed a Motion for Summary Judgment on December 23, 2015. ECF No. 64.

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1           **III.     LEGAL STANDARD**

2           **A.    Judgment on the Pleadings**

3           Fed. R. Civ. P. 12 (c) provides that “After the pleadings are closed--but early enough not  
4 to delay trial--a party may move for judgment on the pleadings. ““A judgment on the pleadings is  
5 properly granted when, taking all the allegations in the non-moving party’s pleadings as true, the  
6 moving party is entitled to judgment as a matter of law.”” United States v. Teng Jiao Zhou, 815  
7 F.3d 639, 642 (9th Cir. 2016) (quoting Fajardo v. Cty. of L.A., 179 F.3d 698, 699 (9th Cir.1999)).  
8 “Judgment on the pleadings is properly granted when there is no issue of material fact in dispute,  
9 and the moving party is entitled to judgment as a matter of law.” Fleming v. Pickard, 581 F.3d  
10 922, 925 (9th Cir. 2009).

11           **B.    Summary Judgment**

12           Summary judgment is appropriate when the pleadings, depositions, answers to  
13 interrogatories, and admissions on file, together with the affidavits, if any, show “that there is no  
14 genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.”  
15 Fed. R. Civ. P. 56(a); accord Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986). When considering  
16 the propriety of summary judgment, the court views all facts and draws all inferences in the light  
17 most favorable to the nonmoving party. Gonzalez v. City of Anaheim, 747 F.3d 789, 793 (9<sup>th</sup> Cir.  
18 2014). If the movant has carried its burden, the non-moving party “must do more than simply show  
19 that there is some metaphysical doubt as to the material facts . . . . Where the record taken as a  
20 whole could not lead a rational trier of fact to find for the nonmoving party, there is no genuine  
21 issue for trial.” Scott v. Harris, 550 U.S. 372, 380 (2007) (alteration in original) (internal quotation  
22 marks omitted).

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24           **IV.     ANALYSIS**

25           Because the briefs regarding the parties’ Motions for Judgment on the Pleadings and  
26 Summary Judgment concern the same legal questions, the Court addresses them simultaneously  
27 below.

28           **A.    Legal Standard For IRS Jurisdiction Over Tax Preparers or Advisors**

1 Plaintiffs argue that, consistent with the analysis of a recent D.C. Circuit Court case called  
2 Loving v. I.R.S., the authority of the I.R.S. does not extend to individuals who are not  
3 “representatives of persons before the [I.R.S.]”, and that therefore the I.R.S. lacks jurisdiction over  
4 Plaintiff. 742 F.3d 1013, 1015 (D.C. Cir. 2014). In Loving v. I.R.S., the D.C. Circuit analyzed, 31  
5 U.S.C. § 330 the statute that Defendants in this case rely on for authority to investigate and regulate  
6 Sexton. Id. “Section 330 of Title 31 authorizes the Secretary of the Treasury—and by extension,  
7 the IRS, a subordinate agency within the Treasury Department—to ‘regulate the practice of  
8 representatives of persons before the Department of the Treasury.’ 31 U.S.C. § 330(a)(1).” Id. The  
9 Circuit Court addressed the question of “whether the IRS’s authority to ‘regulate the practice of  
10 representatives of persons before the Department of the Treasury’ encompasses authority to  
11 regulate tax-return preparers like Sexton. 31 U.S.C. § 330(a)(1).” Id. at 1016. The Circuit Court  
12 answered in the negative.

13 In so doing, the D.C. Circuit found that tax preparers are not representatives under Section  
14 330: “[i]n light of the way the Code treats tax preparation, it would be quite wrong to say that a  
15 tax-return preparer ‘represents’ the taxpayer in any meaningful legal sense. In short, the statute’s  
16 use of the term ‘representative’ excludes tax-return preparers.” Id. at 1016-17. The D.C. Circuit  
17 further found that preparing and signing tax returns are not considered as practice before the  
18 Department: “[a]lthough the exact scope of ‘practice before’ a court or agency varies depending  
19 on the context, *to ‘practice before’ a court or agency ordinarily refers to practice during an*  
20 *investigation, adversarial hearing, or other adjudicative proceeding.*” Id. at 1018 (emphasis  
21 added).

22 This Court agrees with the analysis and holding of the D.C. Circuit in Loving as to the  
23 statute and its scope in relation to practitioners versus tax-preparers. The Court adopts this legal  
24 analysis and reasoning for this case.

25 Treasury Department Circular No. 230 (Regulations Governing Practice before the Internal  
26 Revenue Service), 31 C.F.R. Subtitle A, Part 10 implements the authority Congress gave the  
27 Secretary of the Treasury in 31 U.S.C. § 330 to regulate practice before the IRS. Circular 230  
28 “contains rules governing the recognition of attorneys, certified public accountants, enrolled

1 agents, enrolled retirement plan agents, registered tax return preparers, and other persons  
2 *representing taxpayers before* the Internal Revenue Service. Subpart A of this part sets forth rules  
3 relating to the authority to practice before the Internal Revenue Service; subpart B of this part  
4 describes the duties and restrictions relating to such practice; subpart C of this part describes the  
5 sanctions for violating the regulations; subpart D of this part contains the rules applicable to  
6 disciplinary proceedings; and subpart E of this part contains general provisions relating to the  
7 availability of official records.” 31 C.F.R. § 10.0 (emphasis added).

## 8 **B. Discussion**

9 The Court finds that Plaintiff is not subject to the I.R.S.’s regulatory authority under  
10 Section 330. The analysis and holding in Loving apply with equal force to this case.

11 Defendant makes two arguments. First, Defendant argues that 31 U.S.C. § 330 (“Section  
12 330”) extends to tax professionals who are not authorized to practice before the IRS because they  
13 are suspended from practice due to misconduct, yet offer services within the scope of the statute  
14 and its implementing regulations. Second, Defendant argues that § 330 extends to tax professionals  
15 who offer written tax advice within the meaning of subsection (d), regardless of whether they  
16 represent clients in a typical tax controversy before the IRS. The Court does not find either of these  
17 arguments persuasive.

### 18 ***1. Suspended Representatives<sup>2</sup> Are Not Covered under Section 330***

19 The Defendant offers several bases for its general proposition that Section 330 creates an  
20 inherent jurisdiction or authority over former practitioners before the IRS. The Court rejects all of  
21 these arguments seeking to create this inherent authority.

22 First, Defendant argues that 31 U.S.C. § 330 (“Section 330”) extends to individuals who  
23 have previously been authorized to practice before the IRS but whose authority to practice before  
24 the IRS has been suspended but not completely terminated. Defendant concedes that neither

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25  
26 <sup>2</sup> Defendants use the term “practitioner” based on its use in 31 C.F.R. § 10.51(a)(18), which precludes  
27 “willfully representing a taxpayer before an officer or employee of the IRS unless the practitioner is authorized to do  
28 so...”. 31 C.F.R. § 10 interprets the authority conferred to the Secretary of Treasury in 31 U.S.C. § 330 to regulate  
“representatives of persons before the [I.R.S.]”. Therefore, the Court understands the terms “practitioner” and  
“representative” to be interchangeable for purposes of this analysis, and will use the term “representative” in its  
discussion of 31 U.S.C. §330, and “practitioner” in its discussion of 31 C.F.R. § 10.51, for the sake of clarity.

1 Section 330, nor the regulations promulgated thereunder in 31 C.F.R. Part 10 (Circular 230),  
2 expressly provide that OPR’s regulatory authority extends to persons who are suspended from  
3 practice before the IRS. To the extent that Circular 230 prevents suspended lawyers from practice,  
4 however, Defendant argues that “[a]lthough Sexton is a disbarred lawyer, for Circular 230  
5 purposes he is [also] a suspended practitioner.” Defendant then cites to a general principle that a  
6 professional licensing or disciplinary body retains authority over a suspended member to  
7 investigate and act on alleged violations of the suspension or violations of law or rules of  
8 professional conduct while suspended. However, Defendant’s only authority for this proposition  
9 are non-binding state court cases, namely Kirven v. Secretary of the Board of Commissioners on  
10 Grievances and Discipline, 246 S.E.2d 857, 858 (S.C. 1978) (“based on his assumption that an  
11 attorney who has been indefinitely suspended is not an attorney and thus is not subject to this  
12 Court’s disciplinary authority...[t]his assumption is false.”). The Court is unaware of any binding  
13 authority or federal case law holding that a disbarred lawyer is the equivalent of a suspended  
14 representative under Section 330.<sup>3</sup> The Court rejects this argument.

15 Second, Defendant argues that OPR has inherent jurisdiction over unauthorized practice  
16 by either (i) those who lack the requisite credentials to practice (because they are unlicensed as an  
17 attorney or CPA or unenrolled by the IRS as an enrolled agent, enrolled actuary, or enrolled  
18 retirement plan agent), or (ii) those who are suspended from practice for violating the regulations  
19 governing practice. However, Defendant cites to no authority for the OPR’s “inherent  
20 jurisdiction.” The Court is unaware of any case law or regulations that stand for this proposition.  
21 The Court declines to create such an expansive ‘inherent jurisdiction’ for the IRS.

22 Third, Defendant argues that regulations interpreting Section 330 prohibit representing a  
23 taxpayer before an officer or employee of the IRS unless authorized to do so. 31 C.F.R.  
24 §10.51(a)(18). This is true. However, 31 C.F.R. §10.51(a)(18) refers to Section 10.50, which  
25 prohibits practitioners from practice before the IRS. The Court in Loving dealt with this exact  
26 language, and deemed that the IRS’s statutory authority to “regulate the practice of representatives

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28 <sup>3</sup> Kirven is also unavailing. Kirven involved the jurisdiction of the state agency’s authority *to investigate* an  
allegation of misconduct, but not whether the particular individual was subject to the agency’s authority such that he  
would be legally required to respond to a complaint or request for documents. 246 S.E.2d at 858.

1 of persons before the Department of Treasury” does not encompass authority to regulate tax-return  
2 preparers, and therefore that IRS regulations interpreting § 330 this way were overbroad. Loving,  
3 742 F.3d at 1017 (“Put simply, tax-return preparers are not agents. They do not possess legal  
4 authority to act on the taxpayer’s behalf... ‘representation’ of a taxpayer before the IRS requires  
5 formally obtaining the taxpayer’s power of attorney, something tax-return preparers do not  
6 typically obtain when preparing returns. Moreover, because a tax-return preparer is not a  
7 representative, the taxpayer ordinarily must still sign and submit the return in his or her own  
8 name...”). This Court agrees with Loving’s analysis of the statutory text and context of Section  
9 330, and finds them equally applicable here. In this case, Sexton’s tax preparation activities are  
10 insufficient to grant OPR authority to regulate his business practice under Section 330. There is no  
11 evidence in this record that Sexton or Esquire “practiced” before the IRS or represented taxpayers  
12 before the IRS in any adversarial proceeding during the period in question in this case.

13 Fourth, Defendant argues that the Secretary has broad discretion under Section 330  
14 including the “inherent power” to investigate and sanction those who engage in practice without  
15 authority to do so or who engage in practice contrary to the rules of practice. Defendant argues  
16 that because Section 330(b) gives the Secretary the power to suspend an individual from practice,  
17 the reasonable presumption is that Congress intended for oversight to continue after suspension  
18 given that the statute also includes the more severe sanction of disbarment, as well as the  
19 alternative sanction of a monetary penalty, either or both of which are potentially available in the  
20 case of practitioners who essentially disregard a censure or suspension. This presumption,  
21 however, does not logically follow from the statute. The fact that the statute allows for varying  
22 levels of discipline supports only the inference that the Secretary has the authority to impose  
23 different sanctions based upon the severity of the violations of the practitioner.<sup>4</sup> It does not support  
24 a presumption or inference that the Secretary would have the authority to regulate the provision of  
25 certain types of professional services, such as tax preparation, which he would otherwise not be  
26 able to regulate but for the fact that the offeror of such services had previously been a practitioner

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28 <sup>4</sup> The Court does not reach in this decision the question of whether the IRS could choose to “disbar” Sexton  
or Esquire under Section 330 based upon an IRS determination that Sexton or Esquire have not adequately prepared  
tax forms.

1 before the IRS. An individual or entity does not subject himself to indefinite and undefined  
2 oversight by the IRS based upon suspension. Indeed, this would result in suspension becoming  
3 potentially a more severe penalty than disbarment. In any event, the Court does not find that  
4 suspension, as argued by Defendant, allows for continued or indefinite regulation of previous  
5 practitioners in their subsequent employment as tax preparers.

6 Fifth, Defendant argues that it has inherent authority to regulate those practicing before it.  
7 Defendant cites to Goldsmith v. U.S. Board of Tax Appeals, 270 U.S. 117 (1926), where the Court  
8 determined that “so necessary is the power and so usual is it” for an agency to regulate  
9 practitioners, that a general grant of authority to the Board of Tax Appeals necessarily included  
10 the authority to determine who was qualified to practice before it. Id. at 122. This Court reiterates  
11 here its agreement with the analysis of Loving, that the IRS does have the authority to regulate  
12 representatives or practitioners before it, but that this authority does not extend to tax preparers or  
13 suspended former practitioners who are not tax preparers. The Court is unpersuaded that Defendant  
14 has such inherent authority as it relates to tax preparation, as it would dramatically expand the  
15 IRS’s scope of regulatory authority, as “the IRS would be empowered for the first time to regulate  
16 hundreds of thousands of individuals in the multi-billion dollar tax-preparation industry. Yet  
17 nothing in the statute's text or the legislative record contemplates that vast expansion of the IRS's  
18 authority.” Loving, 742 F.3d at 1021. And the fact that an individual was formerly a practitioner  
19 before the IRS cannot expand IRS jurisdiction into an area where no jurisdiction previously  
20 existed.

21 Thus, the Court rejects Defendant’s first general argument that IRS’ authority and  
22 jurisdiction extends to tax professionals who are not authorized to practice before the IRS because  
23 they are suspended from practice due to misconduct.

24  
25 ***2. Section 330 Does Not Extend to Tax Professionals Offering Written***  
26 ***Advice Regardless of Whether They Represent Clients in a Tax***  
27 ***Controversy Before the IRS***  
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1 Defendant argues that § 330 extends to tax professionals who offer written tax advice  
2 within the meaning of subsection (e), regardless of whether they represent clients in a typical tax  
3 controversy before the IRS.

4 Defendant argues that OPR asserted jurisdiction over Sexton because of an allegation that  
5 he had been practicing before the IRS, not just preparing tax returns. Defendant states that the  
6 definition of “practice before the Internal Revenue Service” in §10.2(a)(4) in pertinent part  
7 provides that it includes “rendering written advice with respect to any entity, transaction, plan or  
8 arrangement, or other plan or arrangement having a potential for tax avoidance or evasion.” In  
9 support of its argument, Defendant cites to pre-Loving decisions by administrative law judges  
10 (ALJs). In one case, an ALJ found that Section 330(d) applies to practitioners that did not represent  
11 persons in cases before the IRS within the meaning of Loving. Director, Office of Professional  
12 Responsibility v. Settles, Complaint No. 2004-11. Similarly, in 2009, an ALJ held that, under the  
13 1996 version of Circular 230, a tax attorney had engaged in practice before the IRS when he issued  
14 a written legal opinion to a client in connection with a proposed tax-motivated lease transaction.  
15 Director, Office of Professional Responsibility v. Sykes, OPR Complaint No. 2006-1 (Decision of  
16 Jan. 29, 2009). The Court finds that these ALJ decisions are not persuasive or controlling.

17 Defendant also attempts to distinguish Loving from the instant case arguing that Loving  
18 did not discuss Section 330(e) specifically, but rather addressed different subsections within  
19 Section 330. Specifically, Defendant argues that “[t]he Loving plaintiffs were in the business of  
20 preparing tax returns. They were not traditional Circular 230 practitioners, and they were not in  
21 the business of authoring written tax opinions for corporate clients or high net-worth individuals.”  
22 The Court finds Loving’s narrow interpretation of Section 330 to be applicable in this case. The  
23 Loving court’s extensive analysis of Section 330 and its statutory history and context supports the  
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1 narrow reading of the statute adopted in this order. See 742 F.3d at 1016-22 (reviewing the various  
2 reasons based upon statutory interpretation that support a narrow reading of the statute).

3  
4 However, even assuming that Loving did not impact Section 330(e), which the Defendant  
5 appears to implicitly argue is a “catch all” section, the Court finds that Section 330(e) does not  
6 apply to the facts in this case. Defendant concedes Sexton is permitted to prepare taxes under the  
7 scope of his suspension, but argues that he may not offer written advice regardless of whether there  
8 is a typical tax controversy before the IRS under Section 330(e). The Court does not find that the  
9 plain language of Section 330(e) supports this interpretation. 31 U.S.C. § 330(e) states that  
10 “Nothing in this section or in any other provision of law shall be construed to limit the authority  
11 of the Secretary of the Treasury to impose standards applicable to the rendering of written advice  
12 with respect to any entity, transaction plan or arrangement, or other plan or arrangement, which is  
13 of a type which the Secretary determines as having a potential for tax avoidance or evasion.” At  
14 most, it allows the Secretary to impose standards to the *rendering* of such advice—but does not  
15 provide a mechanism to sanction such advice, nor the offering of such advice. This is in stark  
16 contrast to the language of the statute elsewhere: “[a]fter notice and opportunity for a proceeding,  
17 the Secretary may *suspend* or *disbar* from practice before the Department, or *censure*, a  
18 representative...The Secretary may impose a *monetary penalty* on any representative described in  
19 the preceding sentence...” 31 U.S.C. § 330(c). Second, this narrow interpretation of the language  
20 is supported by the regulations promulgated by the Secretary. Section 10.2 of the regulations does  
21 not have a separate definition for “written advice” that would encompass individuals who are tax  
22 preparers but not practitioners providing such written advice. Rather, Section 10.2 references  
23 “written advice” only in the definition of “practice.” 31 C.F.R §10.2. This Court has already found,  
24 consistent with the holding in Loving, that “to ‘practice before’ a court or agency ordinarily refers  
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1 to practice during an investigation, adversarial hearing, or other adjudicative proceeding” before  
2 the IRS and that this does not encompass the work of tax preparers. Id. at 1018. The Court thus  
3 finds that the plain language of the statute does not support the expansive reading suggested by the  
4 Defendant.

5  
6 The Court additionally finds that even if Loving did not explicitly identify Section 330(e)  
7 as part of its analysis, the Loving court’s statutory analysis as to the reach and limitations of Section  
8 330 apply with equal force to Subsection (e). For example, this Court also rejects the Defendant’s  
9 interpretation in this case since it would, as the court noted in Loving, render superfluous the  
10 statutory scheme that Congress has enacted separately for the regulation of tax preparers. See,  
11 e.g., 26 U.S.C. §§6694, 6695 and 6713 (outlining tax preparer responsibilities and civil penalties  
12 related to misconduct by tax preparers). Congress has not indicated any intention to supplant this  
13 regulatory scheme. Indeed, Congress continues to revise and amend these regulatory statutes  
14 related to tax preparers even within the time frame of the litigation of this case. See, e.g., Pub.  
15 Law No. 114-113, §§ 207(a) and 210(a), 129 Stat. 3085(2015) (revising Sections 6694 and 6695).  
16 The existence of a separately enacted regulatory scheme directly related to tax preparers negates  
17 the Defendant’s argument that Congress intended Section 330 to authorize the IRS to separately  
18 regulate tax preparers.  
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21 Further, the Defendant points to no authority to support its argument that the written advice  
22 does not need to be given in the context of an actual proceeding or investigation before the IRS,  
23 i.e., practicing before the IRS. As this Court has noted such practice necessarily involves  
24 representation in the context of a proceeding for purposes of § 330. And in this case, it must be  
25 emphasized that based on the undisputed factual record in this case, Sexton merely *offered* to send  
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1 written advice to Kern, but did not in fact render any such advice, since Kern fired him after finding  
2 out about his disbarment.

3 In short, the Court finds that in this case, Section 330(e) does not extend to Sexton, a tax  
4 preparer and disbarred attorney, who offered to write a written memorandum to a taxpayer about  
5 the manner in which she may want to file her taxes.  
6

7 Therefore, the Court grants Plaintiff's Motion for Judgment on the Pleadings (ECF No.  
8 56), and denies Defendant's Motion for Summary Judgment (ECF No. 64).

9  
10 **C. Permanent Injunction**

11 Plaintiff seeks both declaratory and injunctive relief, both of which the Court deems  
12 appropriate here. Regarding declaratory relief, Plaintiff seeks declaratory judgment that: 1) Sexton  
13 is not a practitioner as defined by federal law and that Defendants lack statutory authority to enact,  
14 promulgate or enforce demands or authority over him and/or his employer Esquire as a result of  
15 Sexton's activities; and 2) Defendants and their agents are prohibited from regulating the providing  
16 of tax advice generally, except as specifically provided by statute and conferred upon them by  
17 Congress. Regarding injunctive relief, Plaintiff asks this Court to permanently enjoin the IRS from  
18 seeking to enforce Section 10.20 of Circular 230 against both Sexton and his company Esquire  
19 and requiring them to provide documents and information to Defendants upon demand.  
20

21 "The Declaratory Judgment Act provides that, '[i]n a case of actual controversy within its  
22 jurisdiction ... any court of the United States ... may declare the rights and other legal relations of  
23 any interested party seeking such declaration, whether or not further relief is or could be sought.'  
24 28 U.S.C. § 2201(a)." MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 126 (2007). The Court  
25 employs a four-factor test to determine whether to issue an injunction, examining whether (1) the  
26 plaintiff has suffered an irreparable injury; (2) "remedies available at law, such as monetary  
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1 damages, are inadequate to compensate for that injury”; (3) “considering the balance of hardships  
2 between the plaintiff and defendant, a remedy in equity is warranted”; and (4) a permanent  
3 injunction would not disserve the public interest. eBay Inc. v. MercExchange, L.L.C., 547 U.S.  
4 388, 391 (2006).

5  
6 Sexton has satisfied all four prongs of this test. While Sexton’s injuries are largely  
7 financial, which alone would not support a finding of irreparable harm, See Rent-A-Center, Inc.  
8 v. Canyon Television & Appliance Rental, Inc., 944 F.2d 597, 603 (9th Cir. 1991), Sexton also  
9 argues that Defendant’s actions, if they were to continue, would result in the effective termination  
10 of his vocation. As in Loving, the Court finds that this constitutes irreparable injury. Loving v.  
11 I.R.S., 917 F. Supp. 2d 67, 81 (D.D.C. 2013), aff’d, 742 F.3d 1013 (D.C. Cir. 2014) (“Plaintiffs  
12 declare that they will likely close their tax businesses if forced to comply with the new Rule, which  
13 the Court concludes would be an irreparable injury.”); See also Nat’l Mining Ass’n v. Army Corps  
14 of Eng’rs, 145 F.3d 1399, 1408–09 (D.C.Cir.1998) (“Money damages were never sought in this  
15 action, and even if the government were somehow found to have waived its sovereign immunity  
16 against damage actions, it is hard to see the relevance of such remedies in the context of a pre-  
17 enforcement challenge to agency regulations. The plaintiffs did seek (and obtain) a declaration of  
18 the [challenged] Rule’s invalidity, but this brand of relief is itself more equitable than legal in  
19 nature.”). The Court further finds that Sexton lacks an adequate remedy at law regarding his ability  
20 to challenge the OPR’s actions. The Court also concludes that the balance of hardships tips in  
21 Sexton’s favor, as the IRS’s actions were not permissible under Section 330 and Plaintiff has  
22 suffered financial loss. Finally, a permanent injunction would serve the public interest because of  
23 the inapplicability of Section 330 to tax preparers such as Sexton.  
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1 The Court will therefore grant Sexton's request for permanent injunctive relief.

2 **V. CONCLUSION**

3 Accordingly,

4 **IT IS ORDERED** that Plaintiff's Motion for Judgment on the Pleadings is granted. ECF  
5 No. 56. The Court issues the following declaratory judgment ruling and findings:  
6

7 1. Sexton is not currently a practitioner as defined by Treasury Department Circular No.  
8 230 (Regulations Governing Practice before the Internal Revenue Service), 31 C.F.R. Subtitle A,  
9 Part 10, implementing 31 U.S.C. § 330. Defendants lack statutory authority to enact, promulgate  
10 or enforce demands or authority over him and/or his employer Esquire as a result of Sexton's  
11 activities regarding tax preparation or consultation as described in this case.  
12

13 2. Defendants and their agents are prohibited from regulating the provision of tax advice  
14 by Sexton or Esquire consistent with this Order.

15 **IT IS FURTHER ORDERED** that Defendants or their agents are permanently enjoined  
16 from seeking to assert authority or jurisdiction over Sexton or Esquire regarding his/their tax  
17 preparation activities, pursuant to Treasury Department Circular No. 230 or 31 U.S.C. § 330.  
18

19 **IT IS FURTHER ORDERED** that Defendant's Motion for Summary Judgment is denied.  
20 ECF No. 64.

21 **DATED:** March 17, 2017.

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RICHARD F. BOULWARE, II  
25 United States District Judge