

## **The Internal Revenue Service Dirty Dozen Tax Scams**

These tax tactics are illegal tactics perpetrated by those who wish to cheat the tax system and/or innocent taxpayers.

1. Phishing
2. Identity theft
3. Phony IRS Calls
4. Phony Charities
5. Return Preparer Fraud
6. Filing False Documents to Hide Income
7. "Free money" from the IRS & tax scams involving Social Security
8. Misuse of Trusts
9. Abusive Tax Structures
10. Frivolous Arguments
11. Hidden Offshore Income
12. False Income and/or Expenses

### **1. Phishing**

This where thieves attempt to steal your information by sending you email or other communications to trick you into disclosing your personal information. The IRS never sends email or electronic communications in regards to your personal taxes or personal information.

### **2. Identity Theft**

This ties in with phishing. Once a thief has gained your personal information they can steal your financial identity and destroy your credit by stealing money on your account.

### **3. Phony IRS Calls**

Thieves are calling taxpayers and pretending to be IRS agents and demanding immediate payment under the threat of immediate levy, seizure, or jail. They say they are the "ITS". Real IRS agents always identify themselves as from the "Internal Revenue Service", not by the initials or acronym. These calls come directed from area codes within the US. These payments get directed to out of country bank accounts.

### **4. Phony Charities**

This is a real common one. They portray themselves as benevolent societies such as the "Policeman's . . ." or "Fireman's . . ." or "Children's . . ." organizations. Never give donations by bank or credit card over the phone. Do it by mail. Check if it is a legitimate charity at:

<http://www.irs.gov/Charities-&-Non-Profits/Search-for-Charities>

### **5. Return Preparer Fraud**

Any tax preparer who promises unusual refunds or offers tantalizing rapid refunds is probably going to leave you flat and wipe out your bank account in the process. "If it's too good to be true, it's probably a fraud!" Whether you get taken by a scammer, you still bear the responsibility to the IRS for taxes you owe, or obtained illegally, even if someone else absconded with the funds!

### **6. Filing False Documents to Hide Income**

Filing a phony information return is an illegal way to lower the amount of taxes an individual owes. Typically, a Form 4852 (Substitute Form W-2) or a "corrected" Form 1099 is used as a way to improperly reduce taxable income to zero. The taxpayer may also submit a statement rebutting wages and taxes reported by a payer to the IRS.

## **7. “Free money” from the IRS & tax scams involving Social Security**

Scam artists routinely pose as tax preparers during tax time, luring victims in by promising large federal tax refunds or refunds that people never dreamed they were due in the first place.

Scam artists use flyers, advertisements, phony store fronts and even word of mouth to throw out a wide net for victims. They may even spread the word through community groups or churches where trust is high. Scammers prey on people who do not have a filing requirement, such as low-income individuals or the elderly. They also prey on non-English speakers, who may or may not have a filing requirement.

Scammers build false hope by duping people into making claims for fictitious rebates, benefits or tax credits. They charge good money for very bad advice. Or worse, they file a false return in a person's name and that person never knows that a refund was paid.

## **8. Misuse of Trusts**

Trusts also commonly show up in abusive tax structures. They are highlighted here because unscrupulous promoters continue to urge taxpayers to transfer large amounts of assets into trusts. These assets include not only cash and investments, but also successful on-going businesses. There are legitimate uses of trusts in tax and estate planning, but the IRS commonly sees highly questionable transactions. These transactions promise reduced taxable income, inflated deductions for personal expenses, the reduction or elimination of self-employment taxes and reduced estate or gift transfer taxes. These transactions commonly arise when taxpayers are transferring wealth from one generation to another. Questionable trusts rarely deliver the tax benefits promised and are used primarily as a means of avoiding income tax liability and hiding assets from creditors, including the IRS.

## **9. Abusive Tax Structures**

Abusive tax schemes have evolved from simple structuring of abusive domestic and foreign trust arrangements into sophisticated strategies that take advantage of the financial secrecy laws of some foreign jurisdictions and the availability of credit/debit cards issued from offshore financial institutions.

## **10. Frivolous Arguments**

Promoters of frivolous schemes encourage taxpayers to make unreasonable and outlandish claims to avoid paying the taxes they owe. The IRS has a list of frivolous tax arguments that taxpayers should avoid. These arguments are wrong and have been thrown out of court. While taxpayers have the right to contest their tax liabilities in court, no one has the right to disobey the law or disregard their responsibility to pay taxes.

## **11. Hidden Offshore Income**

Over the years, numerous individuals have been identified as evading U.S. taxes by hiding income in offshore banks, brokerage accounts or nominee entities and then using debit cards, credit cards or wire transfers to access the funds. Others have employed foreign trusts, employee-leasing schemes, private annuities or insurance plans for the same purpose.

## **12. False Income or Expenses**

Another scam involves inflating or including income on a tax return that was never earned, either as wages or as self-employment income in order to maximize refundable credits. Claiming income you did not earn or expenses you did not pay in order to secure larger refundable credits such as the Earned Income Tax Credit could have serious repercussions. This could result in repaying the erroneous refunds, including interest and penalties, and in some cases, even prosecution.

**More at:** <http://www.irs.gov/uac/Newsroom/IRS-Releases-the-%E2%80%9CDirty-Dozen%E2%80%9D-Tax-Scams-for-2014;-Identity-Theft,-Phone-Scams-Lead-List>

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*Gary W Lundgren, EA*

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814-410-2900