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## FROM COUNSEL

A Preventive Law Service of The Office of The Judge Advocate General  
*Keeping You Informed On Personal Legal Affairs*

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### *Income Tax Scams*

The Internal Revenue Service (IRS) warns taxpayers not to fall victim to a variety of income tax scams. The IRS website, at <http://www.irs.gov/uac/IRS-Tax-Tips>, publishes an annual “Tax Tip” (from which the contents of this handout have been prepared) on schemes ranging from promises of special tax refunds to illegal ways of “untaxing” yourself.

#### Tax preparer scams and “loopholes”

Firstly, no one can promise a big or increased refund before they review all of your tax-related info, but dishonest preparers will often do just that.

To back up their promises, scammers will often point out (or simply make up) tricks or loopholes in the tax code which they claim will reduce your tax liability. Some of these tricks look very convincing when “explained” by the scammer. A few examples:

**Incorrect legal interpretations, technicalities, and Constitutional arguments:** Supposedly, these “tricks” have the end result of getting you a bigger refund are never a safe bet. For instance, some scammers will tell you that you can claim ALL of your income as a tax deduction if you just use certain wording on your return or that you can waive your rights to Social Security benefits and thus get back your Social Security tax payments. Never trust any claim that relies on a “little used” law or a creative interpretation of the tax code.

**Misuse of trusts, home businesses, corporations, or religious organizations:** It is common to see dishonest preparers urging taxpayers to transfer assets into trusts, create “home businesses” or corporations, or to claim religious exemptions. Making false claims on your tax return not only subjects you to hefty civil penalties; it is a federal crime.

#### **Sharing or borrowing dependents**

Unscrupulous tax preparers “share” one client's qualifying children with another client in order to allow both clients to claim the Earned Income Tax Credit (EITC). For example, a client with four children only needs to list two children to get the maximum EITC credit. The preparer will list two children on the first client's return and the other two children on another client's tax return. The preparer and the client “sharing” the dependents split a fee. The IRS prosecutes the preparers of such fraudulent claims, and participating taxpayers could be subject to civil penalties.

## IRS impersonation scams

Here are several tips from the IRS to help you avoid being a victim of tax return scammers posing as the IRS or other government agencies:

- **Scams use scare tactics** to try to scare people into making a false tax payment that ends up with the criminal. Many phone scams use threats to try to intimidate you so you will pay them your money. They may also leave “urgent” callback requests via phone or email. The emails will often contain a fake IRS document with a phone number or an email address for you to reply.
- **Scams use caller ID spoofing** to make it look like the IRS or another agency is calling. They may use online resources to get your name, address and other details about your life to make the call sound official.
- **Scams use phishing email and regular mail** using “real” IRS letterhead and titles. They may even provide an actual IRS address where they tell the victim to mail a receipt for the payment they make.

The real IRS will not:

- Call you to demand immediate payment.
- Demand that you pay taxes and not allow you to appeal the amount owed.
- Require that you pay your taxes a certain way; i.e. wire transfer or debit card.
- Ask for credit or debit card numbers over the phone.
- Threaten to bring in police or other agencies to arrest you for not paying.

Taxpayers who think something may be suspicious can report suspected tax fraud by:

- Contacting the Treasury Inspector General for Tax Administration. Use TIGTA’s [“IRS Impersonation Scam Reporting”](#) web page to report the incident.
- Reporting it to the Federal Trade Commission. Use the [“FTC Complaint Assistant”](#) on FTC.gov. Please add “IRS Telephone Scam” in the notes.

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