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## 12 Tax Scams you must know about (part 2)

Here are more tax scams you should not fall prey to.

### 5. Being dishonest about charitable donations

Some taxpayers have resorted to inflating the dollar values of non-cash items they give to charity to gain a higher tax deduction. But the IRS is closely monitoring any inordinate amounts donated to charity. A twist to this scam is where taxpayers make temporary donations to charity just to use them as deductions for tax purposes.

### 6. Being persuaded to argue with the IRS

Every taxpayer has rights under the law but there are some tax preparers who convince you to fight with the IRS over the amount of taxes you owe. You may be persuaded to make unreasonable claims to reduce your tax liability or do some other similar thing to avoid paying your dues to the IRS.

The IRS has a list of legal positions that have been thrown out of court so don't bother using these to try to reduce your taxable amount. While you have your legal rights, it does not give you the license to abuse the law.

## **7. Inflating withholding credit**

If you increase the amount of withholding credit while reporting non-taxable Social Security benefits, you could be fined up to \$5,000.

## **8. Abusing IRAs**

Some taxpayers are advised by their tax planners to abuse their individual retirement plans (IRAs) by contributing more than the limit allowed or not reporting initial distributions.

## **9. False pay reductions**

This type of scam is where the taxpayer takes a 'pay cut' by filing false wage-related information instead of the normal returns. For example, a person may file Form 4852 instead of Form W-2 or a 'corrected' Form 1099 that shows a zero taxable income.

## **10. Abusing trusts**

Some taxpayers transfer their income into trusts to avoid it being taxed. But this is an abuse of the purpose of trusts and the IRS is wise to such moves. So these trusts rarely bring about any tax benefits.

## **11. Claiming petrol tax credit when you are ineligible**

The petrol tax credit is meant for certain groups of taxpayers (like farmers) whose income and use of fuel qualify them to claim it. You should be careful of scams that encourage you to try claiming the petrol tax credit when you are not eligible for it. Such a move could result in a \$5,000 fine.

## **12. Disguising a company**

In this scam, companies are disguised by going through a third party in requesting an employer identification number. Then these companies are used for under-reporting income, false deductions, money laundering and other financial crimes.