



April 9, 2011

## 12 Tax Scams You must know about (part 1)

The IRS has released its 'Dirty Dozen' tax scams to reveal how taxpayers try to cheat the system. IRS Commissioner Doug Shulman didn't mince his words when he said, "Don't fall prey to these tax scams. They may look tempting, but these fraudulent deals end up hurting people who participate in them.

"Here are the 'Dirty Dozen'.

### 1. Not declaring offshore assets

With the publicity surrounding UBS Bank of Switzerland assisting wealthy Americans to hide their assets in offshore bank accounts, most people know about this tactic. But it's not only bank accounts the IRS is targeting, it's also brokerage accounts, credit cards and offshore insurance plans.

Right now, there is an ongoing voluntary disclosure period where you can step forward to submit your offshore earnings (past and present) for tax computation with a reduced penalty and without being charged in court. This amnesty period ends in August.

## **2. Phishing scams**

Identity theft through phishing scams has been a common tax scam method for a long time. In this type of scam, criminals get your personal information like Social Security number, bank account details etc through emails, phone calls or social media and assume your identity in order to steal your tax refund.

If you receive an email that claims itself to be from the IRS, do not open any attachment or click any link in it. Instead, forward it to the IRS at [phishing@irs.gov](mailto:phishing@irs.gov). If you believe you have been a victim of identity theft, call the IRS Identity Protection Specialized Unit at 1-800-908-4490.

## **3. Illicit tax preparation**

This type of scam is where a tax preparer takes advantage of you by employing certain tactics like siphoning a part of your tax refund, overcharging you or promising to get more refunds than you are entitled to. To combat this practice, the IRS has begun taking regulatory steps that make it compulsory for all tax preparers to register themselves and be given a Personal Tax Identification Number.

Tax preparers are also required to constantly keep abreast with developments in tax laws through a continuous education program and periodic competency tests.

## **4. Fraudulent tax returns**

Many taxpayers file fraudulent returns to try to claim tax benefits or obtain a bigger refund amount. They give false information, claim fictitious withholding credits etc. The IRS will not hesitate to take action against you

if you are caught doing any of these.