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Annual Top Twelve Tax Scams part 3

Today, let's look at the next few tax scams among the top twelve scams to beware of revealed by the IRS.

6. Higher income or expenses

False declaration of income or expenses is a serious offence. Most people who wish to cheat the system would state a higher income or expense to claim extra refundable credits such as the Earned Income Tax Credit. Another credit that is often abused is the fuel tax credit which is usually claimed by farmers who use fuel in off-highway business purposes. However, scammers who try to take advantage of this credit would also make claims when neither their incomes nor occupations warrant it. If you are caught for the offence of inflating your income or expenses, you could end up not only repaying the credit but also incurring fines and penalties and in some cases, being charged in court.

7. Claiming zero wages

The other extreme in false tax declaration is claiming not to have made any earnings at all. Most people try to declare zero wages by submitting a Form 4852 (Substitute Form W-2) or a "corrected" Form 1099. The taxpayer may also submit a statement rebutting wages and taxes reported by a payer to the IRS or use some technical reason to justify their zero wages declaration such as a statutory definition of the term "wages". Filing a false declaration this way may result in a \$5,000 penalty.

8. Frivolous arguments

This type of scam has been around a long time and it involves claiming that you do not have to pay taxes, paying taxes is against the Constitution or some other outrageous claim of that sort. After many experiences over the years, the IRS has compiled a list of frivolous tax arguments that people have used in the past. These have never stood the test of the law, so you should avoid any such arguments. They are just a waste of time.

9. False Form 1099 refund claims

In this scam, the scammer files a fake information return, such as a Form 1099 Original Issue Discount (OID), to justify a false refund claim on a corresponding tax return. In some cases, scammers have tried to claim refunds based on the false theory that the federal government maintains secret accounts for US citizens and that taxpayers can gain access to the accounts by issuing 1099-OID forms to the IRS.

If anyone tries to persuade you to file such fake information, be wary of them and do not take their advice nor allow them access to your information to file false claims.

In my next article, I will bring you the final three tax scams in the IRS' Dirty Dozen tax scams for 2012.