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Annual Top Twelve Tax Scams part 2

After showing you the top two tax scams of twelve the IRS revealed for this year, let us look at a few more (incidentally the top two tax scams are identity theft and phishing). Here are the top twelve tax scams for this year.

3. Tax Preparer Fraud

More people use the paid services of tax preparers to submit their tax returns than those who do not. Perhaps this has attracted more unscrupulous tax preparers to prey upon the unsuspecting taxpayers. These fraudsters would take a cut of their clients' refunds, charge high fees for their services or promise you they can get guaranteed high refunds for you.

Here are some things that should raise a red flag to you indicating that the tax preparer you are hiring may be less than trustworthy:

- There is no signature of the preparer on your tax form
- There is no Preparer Tax Identification Number (PTIN) on your tax form
- They do not give you a copy of your tax forms
- They charge a percentage of the refund amount as their fee or they ask for half of your refund
- They tell you you must fill up additional forms in your tax return that you have never seen before
- They say it is alright for you to give false information on your return

4. Avoiding tax using offshore accounts

Many wealthy taxpayers resort to placing their taxable income in offshore bank accounts or other forms of financial instruments to avoid paying taxes. Commonly known tax havens like Switzerland where you are seemingly protected by that country's secrecy laws have been countries of choice for such taxpayers to carry out their scheme.

But since 2009, the IRS has made significant inroads in nabbing tax dodgers who use this tactic. The IRS has charged many people in court, both tax evaders and bankers who abet them and has collected more than 4 billion dollars in unpaid taxes. A large part of this is a result of the Offshore Voluntary Disclosure Program (OVDP) that is in its third run this year. Under the OVDP, you are allowed to disclose and pay your taxable income and settle the fine without being criminally prosecuted.

5. "Free Money" from the IRS tax scam

There have been advertisements floating around community churches about free money from the IRS once taxpayers file a tax return with little or no documentation. Many elderly and ignorant taxpayers have been duped into this scam. The cons behind this scam promise much but do not deliver. They charge a fee for their 'services' of submitting tax claims on behalf of their victims then disappear when the claims are rejected.

That is all for now. We will continue revealing the IRS' top twelve tax scams tomorrow. Stay tuned.