

# IRS "DIRTY DOZEN" TAX SCAMS FOR 2017

The Internal Revenue Service recently announced the conclusion of its annual "Dirty Dozen" list of tax scams. The annual list highlights various schemes that taxpayers may encounter throughout the year, many of which peak during tax-filing season. Taxpayers need to guard against ploys to steal their personal information, scam them out of money, or talk them into engaging in questionable behavior with their taxes.



"We continue to work hard to protect taxpayers from identity theft and other scams," said IRS Commissioner John Koskinen. "Taxpayers can and should stay alert to new schemes which seem to constantly evolve. We urge them to do all they can to avoid these pitfalls – whether old or new."

Perpetrators of illegal schemes can face significant fines and possible criminal prosecution. IRS Criminal Investigation works

closely with the Department of Justice to shut down scams and prosecute the criminals behind them. Taxpayers should keep in mind that they are legally responsible for what is on their tax return even if it is prepared by someone else. Be sure the preparer is up to the task. For more see the [Choosing a Tax Professional](#) page.

## Here is a recap of this year's "Dirty Dozen" scams:

**Phishing:** Taxpayers need to be on guard against fake emails or websites looking to steal personal information. The IRS will **never** initiate contact with taxpayers via email about a bill or refund. Don't click on one claiming to be from the IRS. Be wary of emails and websites that may be nothing more than scams to steal personal information. ([IR-2017-15](#))

**Phone Scams:** Phone calls from criminals impersonating IRS agents remain an ongoing threat to taxpayers. The IRS has seen a surge of these phone scams in recent years as con artists threaten taxpayers with police arrest, deportation and license revocation, among other things. ([IR-2017-19](#))

**Identity Theft:** Taxpayers need to watch out for identity theft especially around tax time. The IRS continues to aggressively pursue the criminals that file fraudulent returns using someone else's Social Security number. Though the agency is making progress on this front, taxpayers still need to be extremely cautious and do everything they can to avoid being victimized. ([IR-2017-22](#))

**Tax Return Preparer Fraud:** Be on the lookout for unscrupulous tax return preparers. The vast majority of tax professionals provide honest high-quality service. There are some dishonest preparers who set up shop each filing season to perpetrate refund fraud, identity theft and other scams that hurt taxpayers. ([IR-2017-23](#))

**Fake Charities:** Be on guard against groups masquerading as charitable organizations to attract donations from unsuspecting contributors. Be wary of charities with names similar to

familiar or nationally known organizations. Contributors should take a few extra minutes to ensure their hard-earned money goes to legitimate and currently eligible charities. IRS.gov has the tools taxpayers need to check out the status of charitable organizations. ([IR-2017-25](#))

**Inflated Refund Claims:** Taxpayers should be on the lookout for anyone promising inflated refunds. Be wary of anyone who asks taxpayers to sign a blank return, promises a big refund before looking at their records or charges fees based on a percentage of the refund. Fraudsters use flyers, advertisements, phony storefronts and word of mouth via community groups where trust is high to find victims. ([IR-2017-26](#))

**Excessive Claims for Business Credits:** Avoid improperly claiming the fuel tax credit, a tax benefit generally not available to most taxpayers. The credit is usually limited to off-highway business use, including use in farming. Taxpayers should also avoid misuse of the research credit. Improper claims often involve failures to participate in or substantiate qualified research activities and/or satisfy the requirements related to qualified research expenses. ([IR-2017-27](#))

**Falsely Padding Deductions on Returns:** Taxpayers should avoid the temptation to falsely inflate deductions or expenses on their returns to pay less than what they owe or potentially receive larger refunds. Think twice before overstating deductions such as charitable contributions and business expenses or improperly claiming credits such as the Earned Income Tax Credit or Child Tax Credit. ([IR-2017-28](#))

**Falsifying Income to Claim Credits:** Don't invent income to erroneously qualify for tax credits, such as the Earned Income Tax Credit. Taxpayers are sometimes talked into doing this by con artists. Taxpayers should file the most accurate return possible because they are legally responsible for what is on their return. This scam can lead to taxpayers facing large bills to pay back taxes, interest and penalties. In some cases, they may even face criminal prosecution. ([IR-2017-29](#))

**Abusive Tax Shelters:** Don't use abusive tax structures to avoid paying taxes. The IRS is committed to stopping complex tax avoidance schemes and the people who create and sell them. The vast majority of taxpayers pay their fair share, and everyone should be on the lookout for people peddling tax shelters that sound too good to be true. When in doubt, taxpayers should seek an independent opinion regarding complex products they are offered. ([IR-2017-31](#))

**Frivolous Tax Arguments:** Don't use frivolous tax arguments to avoid paying tax. Promoters of frivolous schemes encourage taxpayers to make unreasonable and outlandish claims even though they have been repeatedly thrown out of court. While taxpayers have the right to contest their tax liabilities in court, no one has the right to disobey the law or disregard their responsibility to pay taxes. The penalty for filing a frivolous tax return is \$5,000. ([IR-2017-33](#))

**Offshore Tax Avoidance:** The recent string of successful enforcement actions against offshore tax cheats and the financial organizations that help them shows that it's a bad bet to hide money and income offshore. Taxpayers are best served by coming in voluntarily and getting caught up on their tax-filing responsibilities. The IRS offers the Offshore Voluntary Disclosure Program to enable people to catch up on their filing and tax obligations. ([IR-2017-35](#))

This is the third year the IRS has highlighted its Dirty Dozen Tax Scams list.

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