

Wood LLP

Tax Alert



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THE TAX LAWYER

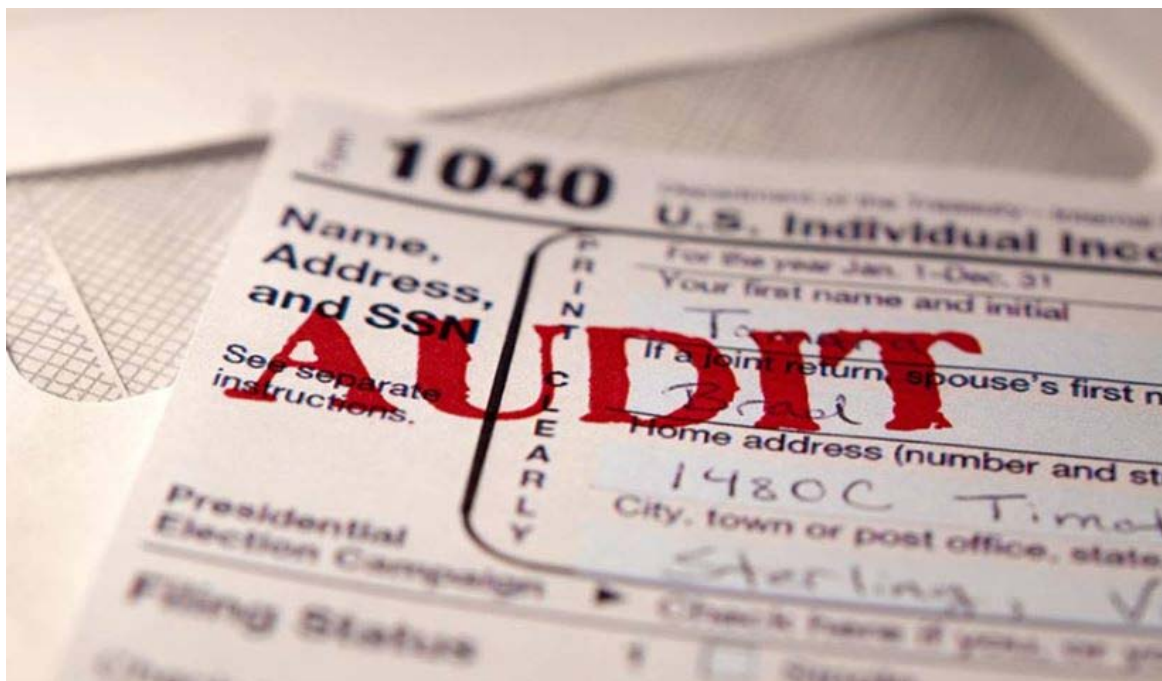
TAXES 9/04/2014

IRS Employee Charged With Tax Fraud Over Refund Skim

An IRS employee in Florida, 36-year-old Charles Corbitt of West Palm Beach, has been charged with wire fraud for an alleged tax return refund scheme. The feds allege he had clients claim fake residential energy credits and inflated itemized deductions. Sounds like a soup to nuts operation.

The results were refunds that were inflated and from which Mr. Corbitt allegedly skimmed a piece as his tax preparation fee. Mr. Corbitt is only [accused](#) at this point, but if he is convicted, he could face a maximum penalty of 20 years in federal prison.

The complaint claims that Mr. Corbitt prepared fraudulent tax returns for various individuals for a profit while he was employed by the IRS. As a result of the fake tax credits and inflated deductions, his client's taxable income was lowered. He got a bigger refund, generating a fee. The case is being investigated by the IRS and the Treasury Inspector General for Tax Administration.



This is the same Treasury Inspector General for Tax Administration that issued the watchdog [report](#) on performance bonuses to IRS employees. When the IRS awards performance bonuses, the report states, the IRS doesn't distinguish between an employee who is unimpeachable and one who has been cited for misconduct. Come again, you ask?

You heard right. Cash bonuses, time off awards and other perks are awarded by the IRS. But the report says that IRS employees with misconduct and other faults still get the bonuses and other perks. This is hardly an isolated problem.

The report reveals that the IRS brass handing out the awards simply did not consider employee misconduct. Considering that the U.S. tax system is built primarily on voluntary compliance, having confidence that we have a fair and impartial tax system is pivotal. That's one reason the IRS targeting scandal has so deeply undermined the trust people have in the tax agency.

Should IRS employees with conduct demerits or tax compliance problems get bonuses? You might see those as two separate issues, but for many, the answer to both questions should be no. The revelation that the IRS answered yes to both questions and *awarded* them leaves some scratching their heads.

Congressman Sam Johnson (R-TX), is a member of the powerful Ways and Means Committee. He expressed outrage over the report that the IRS paid cash bonuses and various perks to IRS employees with tax and conduct problems. Congressman Johnson said:

“This is outrageous! As I've said before, the IRS is out-of-control and out-of-touch. At a time when the IRS is under investigation for targeting Americans based on their beliefs and recent reports revealed IRS workers engaging in political activities on the job, the agency has the audacity to hand out taxpayer dollars to tax cheating employees. The IRS is essentially telling its employees: break the law and we will reward you. That's just wrong! I'm working on a bill that will send a clear and strong message to the IRS to stop such abuse of taxpayer dollars, once and for all.”

Contact me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.