



Wood LLP

Tax Alert



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Is Being Barred From Filing Taxes Punishment Or Prize?

For most of us, being barred from filing taxes hardly sounds like punishment! But if you are in the **business** of return preparation it could be devastating. The IRS monitors tax preparation, and the last person you want to hire to do your taxes is someone being investigated by the IRS.



A recent example involved Quick Sam Tax Refund of Gary, Indiana. The firm and its owner were recently enjoined — permanently — from preparing tax returns. The IRS tries to weed out what it considers to be unscrupulous preparers.

The IRS started with registration and Preparer Tax Identification Number ([PTIN](#)). Since then, the IRS has faced court battles and the fate of its efforts to regulate preparers is in jeopardy. When you select a preparer, be careful, as there are some real horror stories.

For example, in IRS [Program Manager Technical Advice 2011-013](#), the IRS considered a CPA who had prepared about 700 returns, 450 of them being filed electronically. This was part of a scheme to illegally get refunds of which the CPA took a share. See [What If Your CPA Altered Your Tax Return Without Telling You?](#) The clients had to file new returns.

In the Quick Sam case, the government [claimed](#) that Quick Sam Tax Refund repeatedly prepared federal income tax returns that unlawfully understated income tax liabilities. Quick Sam guaranteed its customers a big refund. In order to deliver on this promise, the complaint alleged, Quick Sam employees fabricated business expenses, claimed improper tax credits, and reported fictitious dependents.

Quick Sam and its owner allegedly gave bonuses to employees for engaging in these fraudulent practices. According to the complaint, several Quick Sam employees were accused of fraud in the past. In fact, several former Quick Sam tax return preparers pled guilty to tax-related crimes.

One reason the IRS monitors return preparation is that the revenue losses from a bad operation add up fast. It also undermines the whole tax system and prays on innocent taxpayers who often end up holding the bag.

The Quick Sam complaint alleged that the total harm to the government in lost revenue from the illegal conduct may exceed \$35 million. Claiming bogus tax refunds is one of the IRS's [dirty dozen tax scams](#). Over the past decade, the Justice Department's Tax Division has obtained injunctions against hundreds of tax fraud promoters and bad tax preparers. Information about these cases is available on the Justice Department [website](#).

Of course, the vast bulk of return preparers are honest and do their best to both comply with the law and to help you pay as little tax as is lawful. Stay away from the few bad apples.

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