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THE TAX LAWYER

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12 Tax Scams to Avoid Like the Plague

Hawking or buying into blacklisted tax ideas can attract heavy fines or even prison. The IRS warns the public of the [worst tax scams](#) annually, now in Hollywood-style [videos](#).

Here's what to avoid.

1. Identity Theft. The IRS has launched a comprehensive strategy against identify theft including reviews for false returns and help to victims of identity theft refund schemes. If you believe personal information has been used contact the IRS Identity Protection Specialized Unit immediately. Also visit the special identity theft page [here](#). See [Identity Thieves Target IRS Data](#).



Image via nfsnet.com

2. Phishing. *The IRS does not request personal or financial information by email.* Phishing is unsolicited emails or fake websites prompting victims to cough up personal financial details. Report unsolicited emails that appear to be from the IRS or an IRS-linked organization. Send it to phishing@irs.gov. The IRS can help you [protect yourself from email scams](#).

3. Return Preparer Fraud. Many taxpayers use preparers and most provide honest services. Yet a few skim client refunds, charge inflated fees or promise inflated refunds. Choose carefully. For advice, see [Tips for Choosing a Tax Preparer](#).

- 4. Hiding Income Offshore.** There are legitimate reasons for accounts abroad but key reporting requirements. Taxpayers who don't comply risk significant penalties and even prosecution. See [Ten Things To Know About Offshore Bank Accounts](#).
- 5. "Free Money" From IRS & Tax Scams Involving Social Security.** Advertisements for free money from the IRS target low income persons and the elderly. Many tax scams involve Social Security. Beware.
- 6. False/Inflated Income and Expenses.** Claiming income you didn't earn or expenses you didn't pay to get refundable tax credits (like the Earned Income Tax Credit) can earn you extra taxes, interest, penalties and even prosecution.
- 7. False Form 1099 Refund Claims.** Don't get involved in information return schemes or you may face penalties or even criminal prosecution.
- 8. Frivolous Arguments.** Promoters may encourage unreasonable and outlandish tax claims. The IRS lists [frivolous tax arguments](#) that have been thrown out of court. See [To Avoid Fate Of Wesley Snipes, Skip Tax Protester Arguments](#).
- 9. Falsely Claiming Zero Wages.** Filing a phony information return is illegal. Typically, a [Form 4852](#) (Substitute [Form W-2](#)) or a "corrected" Form 1099 tries to reduce taxable income to zero.
- 10. Abuse of Charitable Organizations and Deductions.** Abuses of 501(c)(3) organizations include attempts to avoid tax or maintain control over donated assets. Some donations are highly over-valued. Some charities promise you can repurchase donated items.
- 11. Disguised Corporate Ownership.** Third parties are improperly used to request employer identification numbers and form corporations to hide the real owners. Don't do it.
- 12. Misuse of Trusts.** Despite legitimate uses of trusts in tax and estate planning, some transactions promise deductions for personal expenses, cuts in estate or gift taxes, etc. Such trusts rarely deliver.

For more, see:

[Avoid IRS Hit List Of Tax Scams](#)

[No, Your IRS Data Isn't Safe](#)

[Who NOT To Hire To Do Your Taxes](#)

[Avoid IRS Audit Triggers](#)

[Ponzi Scheme Tax Advice](#)

[Dispute Your Tax Bill, But Not IRS Regulations!](#)

[Care With Forms 1099 Helps Audit-Proof Tax Returns](#)

[Beware Patented Tax Strategies](#)

[Three Tax Mistakes You Make Every Day](#)

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