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### JP Morgan Chase Settles Robo-Signing Charges For \$50 Million, Tax Deductible

The [U.S. Trustee struck a \\$50 million deal](#) over charges [JPMorgan Chase](#) 'robo-signed' mortgage documents to numerous bankruptcy courts. The bank must pay more than 25,000 homeowners in the remedial deal. As a result, there appears to be no restriction on the bank's ability to write off the entire amount on its taxes. Speaking of taxes, the case and its subject matter contains important reminders for everyone at tax time.

The robo-signing in question involved bank employees who affixed electronic signatures—under penalties of perjury—without reviewing the accuracy of the notices. Sound familiar? At tax time, with virtually everything electronic, it can be tempting not to print out a tax return and not to read every line. If your preparer gave it to you and he or she has your records, you might think there's no need.



Be careful. You would have better luck with [Tim Geithner's TurboTax defense](#). The robo-signer defense goes something like this: "I didn't read my tax return—I just signed it." After all, more than half of all tax returns are prepared by someone else. Even members of Congress who write the tax laws don't prepare their own. But before you sign under penalties of perjury, review it carefully.

In simple mechanics, there is marked contrast between the mechanics of paper vs. electronic filing. A taxpayer with a traditional paper filing at least must *sign* the return before mailing, and that imports a certain amount of due diligence. But with e-filing, the taxpayer may not even *see* the return.

The taxpayer *should* review the return, and the return preparer should *ask* the client to verify that all figures are correct, the correct boxes are checked, and so on. The lack of a signature in the traditional 'affix your John Hancock' sense makes it easier for mistakes to occur. In the old days, at least the return had to be printed out and the taxpayer had to actually sign it.

Now, the authorization form may be signed days before, and the final return as submitted may be significantly different from what the client saw. The client may be able to say with a straight face—like the bank execs signing foreclosure docs—"who knew?" But the IRS says electronically filing counts as a signature. See [Signing Your Electronic Tax Return](#).

Our tax law has been around since 1913, and the "I didn't read it" defense has been tried before. But courts have consistently ruled that taxpayers have a *duty* to read their returns to ensure that all

income is included. Since 1928, courts have held that even if all data is furnished to the return preparer, the taxpayer *still* has a duty to read the return. See [Mackay v. Commissioner](#).

Reliance on a preparer is not a defense if the taxpayer's cursory review of the return would have revealed errors. See [Metra Chem Corp. v. Commissioner](#). With the advent of electronic filing, some taxpayers and preparers hit 'send' before the return is ready. Maybe it happened in the old days, but not to the degree it does now. It may be years before someone wins with a robo-signer defense. In the meantime, try to stay away from it. Look how much it cost JP Morgan Chase.

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