



## Tax Preparer Fraud

### **Have you been the victim of tax return preparer fraud?**

Tax return preparer fraud generally involves the preparation and filing of false income tax returns by preparers who claim inflated personal or business expenses, false deductions, unallowable credits or excessive exemptions on returns prepared for their clients. Preparers may manipulate income figures to fraudulently obtain tax credits, such as the Earned Income Tax Credit, or even redirect clients' refunds to their own bank accounts.

In some situations, the client, or taxpayer, may not have knowledge of the false expenses, deductions, exemptions or credits shown on his or her tax return. However, when the IRS detects the false return, the taxpayer — not the return preparer — must pay the additional taxes and interest and may be subject to penalties.

#### **Who can be affected?**

While most tax return preparers act with honesty and integrity, anyone can fall victim to unscrupulous preparers. Victims are typically low income taxpayers with a median adjusted gross income of \$17,548 and a median refund amount of \$2,511.

#### **What remedies are available?**

Previously, IRS concluded that it would be too difficult to determine whether collusion was taking place between the preparer and the victim, and thus did not issue further refunds.

However, new policies and procedures were implemented by the IRS in 2014 to allow the victims of preparer fraud to receive their refunds under certain conditions.

If you believe you have been the victim of tax return preparer fraud, our Low Income Taxpayer Clinic may be able to help you resolve any resulting dispute with the IRS and recover the refund that is rightfully yours.

#### **Helpful Hints When Choosing a Return Preparer**

- Be cautious of tax preparers who claim they can obtain larger refunds than other preparers or base their fee on a percentage of the amount of the refund.

- Use a reputable tax professional who signs your tax return and provides you with a copy for your records.
- Review your return before you sign it and ask questions on entries you don't understand. Never sign a blank tax form.
- Make sure the preparer signs and includes their PTIN as required by law.
- Reputable preparers will request to see your records and receipts. They will ask you questions to determine your total income and your qualifications for deductions, credits and other items.
- Make sure your preparer offers IRS e-file. Any paid preparer who prepares and files more than 10 returns for clients must file the returns electronically, unless the client opts to file a paper return.
- Ask questions. Do you know anyone who has used the tax professional? Were they satisfied with the service they received?

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 Tax Preparer Fraud Flyer

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