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April 05 — Unethical tax preparers that pop up during tax season have found targets this year among unsuspecting people, particularly Latinos and lower-income filers.

Private investigators, veteran tax preparation businesses and federal agencies say the fraudulent businesses are shorting tax filers of refunds and keeping most of it themselves or erroneously claiming dependents on clients' tax returns to get larger refunds.

“People are being hoodwinked,” said Dale Gustafson, a private investigator in Simi Valley who resolved three cases this year for clients. “It’s something people need to be aware of.”

About 60 percent of taxpayers will use tax professionals to prepare their returns this year, according to the Internal Revenue Service.

Investigations by the IRS of fraudulent tax preparers increased annually between 2010 and 2012, as did the number of those convicted and most other related actions, according to the agency. The incarceration rate however, has dropped.

The IRS ranked tax preparer fraud third this year in its list of the top 12 tax scams.

Gustafson has his own investigation business but also trains investigators and often handles cases for the local Better Business Bureau. The cases he probed this season involved tax preparers in Simi Valley and Oxnard, he said. They shortchanged one client \$2,200 and two clients about \$1,200 each, he said.

Gustafson explained that tax preparers orchestrate the fraud by getting clients to sign

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keep, Gustafson said, because the preparers have also gotten clients to sign papers allowing the refund to go to the preparer. Veteran tax preparers advise against doing that and against signing incomplete tax returns.

Last year, Gustafson said he had 10 to 12 cases involving fraudulent tax preparers. The unethical businesses typically open and close around tax season, advertise in Spanish-language circulars and lower-cost publications and seem to prey mostly on Latinos and those earning low incomes. The clients don't realize they've been defrauded because they are happy to have gotten money back quickly and don't estimate their refunds, he said.

Gustafson was able to get one client his money back after the business said it made a mistake. For the other clients, the refund payment to the preparer was stopped, he said.

"If you can catch it fast enough, you can usually solve the problem," Gustafson said. "These people don't want the light shed on it."

In the last six months, the Department of Justice's Tax Division obtained permanent injunctions against more than 30 preparers and promoters.

Rosemarie Cruz, who manages two H&R Block businesses in Oxnard, says she has seen a lot of new clients who have previously dealt with questionable tax preparers.

The tax preparers have filed tax returns for Latino clients that claim their dependent children live in the United States to receive a \$1,000 tax credit when the children live in Mexico and don't qualify for the credit.

The companies benefit by getting more business as clients tell their friends they will get \$1,000 per child if they use them, but the tax returns are fraudulent, Cruz said.

“There’s a fifty-fifty chance the IRS will catch it,” she said. “Sometimes, the questions

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