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questionable fuel tax credit claims between 2011 and 2013, according to a new study released publicly today by the Treasury Inspector General for Tax Administration (TIGTA)

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The [Internal Revenue Service](#) (IRS) may have allowed approximately \$167.7 million in questionable fuel tax credit claims between 2011 and 2013, according to a new study released publicly today by the Treasury Inspector General for Tax Administration (TIGTA).

Taxpayers are allowed to claim a fuel tax credit on their individual tax returns to offset the amount of any Federal taxes paid on fuel used for off-highway business purposes, such as farming or commercial fishing. In Processing Years 2011 through 2013, approximately \$694 million in fuel tax credits were claimed by individual taxpayers. A significant number of the claims for these credits are potentially improper.

For the past several years, the IRS has included fuel tax credit scams on its annual list of the “Dirty Dozen” tax scams. This audit was initiated to evaluate whether opportunities exist to improve the return classification and examination processes for individual income tax returns claiming a fuel tax credit.

TIGTA’s evaluation of data from Processing Years 2011 through 2013 indicates that a total of 4,004 Forms 1040, U.S. Individual Income Tax Return, claiming a fuel tax credit at or above the threshold amount for manual screening were not properly coded for review, and credits totaling approximately \$47.2 million may have been erroneously released to taxpayers.

Furthermore, there were 198,395 returns with fuel tax credit claims below the

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appropriate,” said J. Russell George, Treasury Inspector General for Tax Administration. “Without improved controls and processes to prevent the issuance of questionable refunds, millions of dollars in Federal tax revenue will be lost each year,” he said.

TIGTA recommended that the IRS: 1) use systemic controls to ensure that all Forms 1040 claiming a fuel tax credit at the threshold amount or above are manually reviewed prior to refund issuance; 2) if auditing resources become available, consider lowering the systemic threshold amount for selecting and reviewing Forms 1040 claiming a fuel tax credit that report only wage income; and 3) provide managers and examiners with additional training and procedures to determine acceptable supporting documentation for fuel tax credit claims, as well as to review amended returns when the original return has been adjusted beyond removing the fuel tax credit.

In its response to the report, IRS officials agreed with the recommendations and stated that they have taken or plan to take appropriate corrective actions.

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