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Improper claims for business credits can result in the IRS taking a closer look at your return, or even conducting an audit. The nation's taxing agency has included that error on its annual "Dirty Dozen" list of tax scams for the 2016 filing season.

"The IRS is committed to stopping the improper use of business credits and catching the promoters of erroneous claims," said IRS Commissioner John Koskinen.

Compiled annually, the “Dirty Dozen” lists a variety of common scams that taxpayers

criminals behind them.

The fuel tax credit is generally limited to off-highway business use or use in farming. Consequently, the credit is not available to most taxpayers. Still, the IRS routinely finds unscrupulous preparers who have enticed sizable groups of taxpayers to erroneously claim the credit to inflate their refunds.

The federal government taxes gasoline, diesel fuel, kerosene, alternative fuels and certain other types of fuel. Certain commercial uses of these fuels are nontaxable. Individuals and businesses that purchase fuel for one of those purposes can claim a tax credit by filing Form 4136, Credit for Federal Tax Paid on Fuels.

The tax is on fuels used to power vehicles and equipment on roads and highways. Taxes paid for fuel to power vehicles and equipment used off-road may qualify for the tax credit and may include farm equipment, certain boats, trains and airplanes.

Improper claims for the fuel tax credit generally come in two forms. An individual or business may make an erroneous claim on their otherwise legitimate tax return. Or an identity thief may claim the credit in a broader fraudulent scheme.

The IRS has taken a number of steps to improve compliance processes involving fuel tax credits.

IRS compliance filters are preventing a significant number of questionable fuel tax credit claims from being processed. For example, new identity theft screening filters have also improved the IRS’s ability to identify questionable fuel tax credit claims during return processing.

The IRS has taken additional steps to identify returns for review that claim fuel tax credits, including broadening the identification criteria to ensure a more comprehensive compliance approach in selecting questionable tax returns.

Qualified research activities do not include activities where there is no uncertainty about the taxpayer's method or capability to achieve a desired result or the appropriate design of the end result or do not include activities where it has not been shown that substantially all of the activities at issue were elements of a process of experimentation used to resolve uncertainty.

The IRS also sees improper expenses contained in some claims for the research credit. Certain activities, such as research after commercial production, adaptation of an existing business component, foreign research, and funded research are specifically excluded from the research credit, although the IRS is aware that such activities have been included in claims for the research credit.

In addition, qualified research expenses include only in-house research expenses and contract research. Qualified research expenses do not include expenses where it has not been shown that there is a nexus between the claimed expenses and qualified research activity.

Section 41 of the Internal Revenue Code provides a credit for increasing research activities, commonly known as the "research credit." Congress enacted the research credit in 1981 to provide an incentive for American industry to invest in research and experimentation. Since its enactment, the research credit has been extended 16 times, until it became permanent in December 2015 for amounts paid after Dec. 31, 2014.

Taxpayers who qualify for the credit may claim up to 20 percent of qualified expenses above a base amount by completing and attaching Form 6765, Credit for Increasing Research Activities, to their tax return.

To claim a research credit, taxpayers must evaluate and appropriately document their research activities over a period of time to establish the amount of qualified research expenses paid for each qualified research activity. While taxpayers may estimate some research expenses, taxpayers must have factual basis for the

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