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Warning

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The IRS is warning taxpayers to avoid schemes to claim tax credits on their returns that they don't truly qualify for. This is especially true of the Earned Income Tax Credit, which some people misreporting their income in order to maximize their

refund, and which is on the annual list of tax scams known as the “Dirty Dozen”

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people prepare their returns or hire professionals to do so.

Illegal scams can lead to significant penalties and interest and possible criminal prosecution. IRS Criminal Investigation works closely with the Department of Justice (DOJ) to shutdown scams and prosecute the criminals behind them.

Don't Fake Income

Some people falsely increase the income they report to the IRS. This scam involves inflating or including income on a tax return that was never earned, either as wages or as self-employment income, usually in order to maximize refundable credits.

Just like falsely claiming an expense or deduction you did not pay, claiming income you did not earn in order to secure larger refundable credits such as the Earned Income Tax Credit could have serious repercussions. This could result in taxpayers facing a large bill to repay the erroneous refunds, including interest and penalties. In some cases, they may even face criminal prosecution.

Taxpayers may encounter unscrupulous return preparers who make them aware of this scam. Remember: Taxpayers are legally responsible for what's on their tax return even if it is prepared by someone else. Make sure the preparer you hire is ethical and up to the task.

Choose Income Tax Return Preparers Carefully

It is important to choose carefully when hiring an individual or firm to prepare your return. Well-intentioned taxpayers can be misled by preparers who don't understand taxes or who mislead people into taking credits or deductions they aren't entitled to in order to increase their fee. Every year, these types of tax preparers face everything from penalties to even jail time for defrauding their clients.

Here are a few tips when choosing a tax preparer:

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preparers aren't required to have a professional credential, but make sure you understand the qualifications of the preparer you select.

- **Check the preparer's qualifications.** Use the [IRS Directory of Federal Tax Return Preparers with Credentials and Select Qualifications](#). This tool can help you find a tax return preparer with the qualifications that you prefer. The Directory is a searchable and sortable listing of certain preparers registered with the IRS. It includes the name, city, state and zip code of:
 - Attorneys
 - CPAs
 - Enrolled Agents
 - Enrolled Retirement Plan Agents
 - Enrolled Actuaries
 - Annual Filing Season Program participants
- **Check the preparer's history.** Ask the Better Business Bureau about the preparer. Check for disciplinary actions and the license status for credentialed preparers. For CPAs, check with the State Board of Accountancy. For attorneys, check with the State Bar Association. For Enrolled Agents, go to IRS.gov and search for “verify enrolled agent status” or check the [Directory](#).
- **Ask about service fees.** Preparers are not allowed to base fees on a percentage of their client's refund. Also avoid those who boast bigger refunds than their competition. Make sure that your refund goes directly to you – not into your preparer's bank account.
- **Ask to e-file your return.** Make sure your preparer offers IRS e-file. Paid preparers who do taxes for more than 10 clients generally must offer electronic filing. The IRS has processed more than 1.5 billion e-filed tax returns. It's the safest and most accurate way to file a return.
- **Provide records and receipts.** Good preparers will ask to see your records and receipts. They'll ask questions to determine your total income, deductions, tax

credits and other items. Do not rely on a preparer who is willing to e-file your

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open when the tax return was prepared and signed. For tax returns prepared and signed after December 31, 2015, a non-credentialed tax return preparer can represent clients before the IRS in limited situations only if the preparer is a participant in the IRS Annual Filing Season Program.

- **Never sign a blank return.** Don't use a tax preparer that asks you to sign an incomplete or blank tax form.
- **Review your return before signing.** Before you sign your tax return, review it and ask questions if something is not clear. Make sure you're comfortable with the accuracy of the return before you sign it.
- **Report tax preparer misconduct to the IRS.** You can report improper activities by tax return preparers and suspected tax fraud to the IRS. Use Form 14157, Complaint: Tax Return Preparer. If you suspect a return preparer filed or changed the return without your consent, you should also file Form 14157-A, Return Preparer Fraud or Misconduct Affidavit. You can get these forms on IRS.gov.

To find other tips about choosing a preparer, better understand the differences in credentials and qualifications, research the IRS preparer directory, and learn how to submit a complaint regarding a tax return preparer, visit

www.irs.gov/chooseataxpro.

Remember: Taxpayers are legally responsible for what is on their tax return even if it is prepared by someone else. Make sure the preparer you hire is up to the task.

Income Tax

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