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Offers in Compromise, conducting unemployment insurance fraud and unscrupulously preparing

Jun. 30, 2021



The Internal Revenue Service has continued its “Dirty Dozen” list of tax scams with a warning for people to watch out for predators using tax-related schemes ranging from fake charities to scams targeting seniors and immigrants. (Read more of the IRS “Dirty Dozen” at <https://cpapracticeadvisor.com/21228624>.)

The IRS continues to see a group of ruses by dishonest people who trick others into doing something illegal or which ultimately causes them harm. Predators encourage otherwise honest people to do things they don't realize are illegal or prey on their good will to take something from them.

Several schemes involve fraudsters targeting groups like seniors or immigrants,

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organizations to take advantage of the public's generosity. They especially take advantage of tragedies and disasters, such as the COVID-19 pandemic.

Scams requesting donations for disaster relief efforts are especially common on the phone. Taxpayers should always check out a charity before they donate, and they should not feel pressured to give immediately.

Taxpayers who give money or goods to a charity may be able to claim a deduction on their federal tax return by reducing the amount of their taxable income. But taxpayers should remember that to receive a deduction, taxpayers must donate to a qualified charity. To check the status of a charity, use the IRS [Select Check](#) tool. (It's also important for taxpayers to remember that they can't deduct gifts to individuals or to political organizations and candidates.)

Here are some tips to remember about fake charity scams:

- Individuals should never let any caller pressure them. A legitimate charity will be happy to get a donation at any time, so there's no rush. Donors are encouraged to take time to do the research.
- Potential donors should ask the fundraiser for the charity's exact name, web address and mailing address, so it can be confirmed later. Some dishonest telemarketers use names that sound like large well-known charities to confuse people.
- Be careful how a donation is paid. Donors should not work with charities that ask them to pay by giving numbers from a gift card or by wiring money. That's how scammers ask people to pay. It's safest to pay by credit card or check — and only after having done some research on the charity.

For more information about fake charities see the information on fake charity scams on the [Federal Trade Commission web site](#).

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and should ignore these threats and not engage the scammers.

The IRS reminds taxpayers that the first contact with the IRS will usually be through mail, not over the phone. Legitimate IRS employees will not threaten to revoke licenses or have a person deported. These are scare tactics.

As phone scams pose a major threat to people with limited access to information, including individuals not entirely comfortable with the English language, the IRS has added new features to help those who are more comfortable in a language other than English. The [Schedule LEP](#) allows a taxpayer to select in which language they wish to communicate. Once they complete and submit the schedule, they will receive future communications in that selected language preference.

Additionally, the IRS is providing tax information, forms and publications in many languages other than English. [IRS Publication 17](#), Your Federal Income Tax, is now available in Spanish, Chinese (simplified and traditional), Vietnamese, Korean and Russian.

Seniors beware

Senior citizens and those who care about them need to be on alert for tax scams targeting older Americans. The IRS recognizes the pervasiveness of fraud targeting older Americans, along with the Department of Justice and FBI, the Federal Trade Commission and the Consumer Financial Protection Bureau (CFPB), among others.

In an effort to make filing taxes easier for seniors, the IRS reminds seniors born before Jan. 2, 1956 that the IRS has re-designed the Form 1040 and its instructions, and that they can use the Form [1040SR and related instructions](#).

The IRS reminds seniors that the best source for information about their federal taxes is [IRS.gov](#).

Offer in Compromise ‘mills’

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for the program – and avoiding costly promoters who advertise on radio and television.”

The IRS reminds taxpayers to beware of promoters claiming their services are needed to settle with the IRS, that their tax debts can be settled for “pennies on the dollar” or that there is a limited window of time to resolve tax debts through the Offer in Compromise (OIC) program.

An “offer,” or OIC, is an agreement between a taxpayer and the IRS that resolves the taxpayer’s tax debt. The IRS has the authority to settle, or “compromise,” federal tax liabilities by accepting less than full payment under certain circumstances. However, some promoters are inappropriately advising indebted taxpayers to file an OIC application with the IRS, even though the promoters know the person won’t qualify. This costs honest taxpayers money and time.

Taxpayers should be especially wary of promoters who claim they can obtain larger offer settlements than others or who make misleading promises that the IRS will accept an offer for a small percentage. Companies advertising on TV or radio frequently can’t do anything for taxpayers that they can’t do for themselves by contacting the IRS directly.

Taxpayers can go to [IRS.gov](https://www.irs.gov) and review the [Offer in Compromise Pre-Qualifier Tool](#) to see if they qualify for an OIC. The IRS reminds taxpayers that under the [First Time Penalty Abatement](#) policy, taxpayers can go directly to the IRS for administrative relief from a penalty that would otherwise be added to their tax debt.

Unscrupulous tax return preparers

Although most tax preparers are ethical and trustworthy, taxpayers should be wary of preparers who won’t sign the tax returns they prepare, often referred to as ghost

preparers. For e-filed returns, the “ghost” will prepare the return, but refuse to

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- Require payment in cash only and will not provide a receipt.
- Invent income to qualify their clients for tax credits.
- Claim fake deductions to boost the size of the refund.
- Direct refunds into their bank account, not the taxpayer's account.

It's important for taxpayers to choose their tax return preparer wisely. The [Choosing a Tax Professional](#) page on IRS.gov has information about tax preparer [credentials and qualifications](#). The IRS [Directory of Federal Tax Return Preparers with Credentials and Select Qualifications](#) can help identify many preparers by type of credential or qualification.

Taxpayers should also remember that they are legally responsible for what is on their tax return even if it is prepared by someone else. Consumers can help protect themselves by choosing a reputable tax preparer.

Unemployment insurance fraud

Unemployment fraud often involves individuals acting in coordination with or against employers and financial institutions to get state and local assistance to which they are not entitled. These scams can pose problems that can adversely affect taxpayers in the long run.

States, employers and financial institutions need to be aware of the following scams related to unemployment insurance:

- **Identity-related fraud:** Filers submit applications for unemployment payments using stolen or fake identification information to perpetrate an account takeover.
- **Employer-employee collusion fraud:** The employee receives unemployment insurance payments while the employer continues to pay the employee reduced, unreported wages.

- **Misrepresentation of income fraud:** An individual returns to work and fails to

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improper payment amounts, or movement of unemployment funds to accounts that are not on the application.

Below is a short list of financial red flag indicators of unemployment fraud:

- Unemployment payments are coming from a state other than the state in which the customer reportedly resides or has previously worked.
- Multiple state unemployment payments are made within the same disbursement timeframe.
- Unemployment payments are made in the name of a person other than the account holder or in the names of multiple unemployment payment recipients.
- Numerous deposits or electronic funds transfers (EFTs) are made that indicate they are unemployment payments from one or more states to people other than the account holder(s).

A higher amount of unemployment payments is seen in the same timeframe compared to similar customers and the amount they received.

Read more of the IRS “Dirty Dozen” at <https://cpapracticeadvisor.com/21228624>.

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