



The IRS Releases "Dirty Dozen" Tax Scams of 2017

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Every year the IRS issues its annual "Dirty Dozen" list of **top 12 tax scams**. The list highlights the most common tax abuses taxpayers may face. The list encompasses a variety of common scams that taxpayers may encounter at any time but should be on heightened alert during that tax filing season. The 2017 list of scams include: phishing, phone scams, identity theft, return preparer fraud, fake charities, inflated refund claims, excessive claims for business credits, falsely padding deductions on returns, falsifying income to claim credits, abusive tax shelters, frivolous tax arguments, and offshore tax avoidance. Below is a summary of these top scams and accompanying relevant IRS guide. Read this information carefully to avoid becoming a victim!

- 1. Phishing schemes ([IR-2017-15](#))**. Phishing schemes involving fake emails or websites that trick recipients into giving personal information (e.g., Social Security numbers, credit card numbers, or bank account numbers) or login or password information. Remember to not click or open any attachments or links in unfamiliar emails.
- 2. Phone scams ([IR-2017-19](#))**. Phone scams involving that threaten police arrest, deportation, license revocation, and other things. The IRS usually initiates contact with taxpayers by mail, so taxpayers should be wary of these calls.
- 3. Identity theft ([IR-2017-22](#))**. Tax-related identity theft, together with what the IRS calls the related scams of stealing personal and financial data from taxpayers or data held by tax practitioners, remains a top concern, although the IRS says it is making progress.
- 4. Return preparer fraud ([IR-2017-23](#))**. Dishonest tax preparers who set up shop each filing season and mislead taxpayers in various ways (e.g., who don't understand taxes or who mislead people into taking credits or deductions they aren't entitled to increase their fee). Take a look at the list of pointers the IRS maintains to help taxpayer choose a tax preparer ([click here](#)).

5. **Fake charities (IR-2017-25)**. Scam artists setting up fake charities to steal money and personal information from unsuspecting (and well-meaning) taxpayers. You can check out the charity via the IRS website, [Exempt Organization Select Check](#).

6. **Falsely inflating refund claims (IR-2017-26)**. Unscrupulous tax preparers contacting elderly or low-income taxpayers who normally don't file and filing returns claiming larger refunds for them (or stealing their identities and keeping any refund).

7. **Excessive claims for business credits (IR-2017-27)**. Claiming research or fuel tax credits are credits for excise taxes paid on fuel. But, the IRS explains, most individual taxpayers do not qualify for such credits and should avoid preparers that press them on such credits. The IRS notes that claiming the fuel tax credit fraudulently may subject a taxpayer to a \$5,000 penalty for making a frivolous claim.

8. **Falsely padding deductions (IR-2017-28)**. Falsely padding deductions, expenses, or claiming credits they are not entitled to (e.g., overstating charitable contributions or business expenses, or falsely claiming credits).

9. **Falsifying income to claim tax credits (IR-2017-29)**. Reporting fraudulent amounts of earned income to qualify for certain tax credits or a scam involving false Forms 1099-MISC, *Miscellaneous Income*.

10. **Abusive tax shelters (IR-2017-31)**. The IRS noted that it had added these types of entities to the list of "transactions of interest" in Notice 2016-66.

11. **Frivolous tax arguments (IR-2017-33)**. Promoters of outlandish legal arguments to avoid paying their taxes that have consistently been thrown out of court. Failing to pay any unpaid taxes, can result in penalties and interest, taxpayers may be subject to a \$5,000 penalty for making a frivolous argument.

12. **Offshore tax cheating (IR-2017-35)**. Avoiding taxes by hiding money or other assets in unreported offshore accounts (e.g., attempting to hide income in offshore banks, brokerage accounts, or nominee entities, which are then accessed using debit cards, credit cards, or wire transfers). Taxpayers who do not disclose these foreign assets or accounts risk significant penalties as well as possible criminal prosecution.

For a summary of the IRS 2017 "**Dirty Dozen**" List of Tax Scams see [IR-2017-37](#). For a detailed description of each scam, please refer to the list:

<https://www.irs.gov/uac/newsroom/dirty-dozen>

Note: This information was prepared by Patty P. Tehrani, Lawyer and Founder of [Policy Patty Toolkit](#), a consulting business that helps organizations develop, assess, or enhance their governance, compliance and risk management programs, policies, controls and processes. The Policy Patty Toolkit provides general information only that does not constitute legal advice. Any advice contained in this communication, including attachments and enclosures, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties.