



DON'T FALL FOR TAX SCAMS

by Texas Attorney General Greg Abbott

TAX SEASON always seems to remind us of Benjamin Franklin's famous adage about the certainty of "death and taxes." Tax-related scams also spring up during this time of year, but the good news is that, unlike taxes, these schemes are avoidable.

Many businesses offer legitimate services preparing tax returns for those who don't have the time, the experience, the desire or the confidence to prepare the forms themselves. However, some unscrupulous operators prey on this need with deceptions that could cost you money and, worse, cause you serious problems with the Internal Revenue Service (IRS). For instance, some businesses promise an "immediate refund" of your taxes, but generally the so-called "instant refund" is simply a loan.

Carefully read the fine print in any ad for this kind of service. The fees and interest for instant-refund loans can be quite high, so you should consider whether it would be better to fill out the tax refund paperwork yourself. If you can wait a little longer to receive a refund directly from the IRS, free of charge, you will be a lot better off.

Be extremely careful if someone who provides tax preparation services assures you they can obtain a larger refund for you. Some bogus tax return businesses promise larger "refunds" and deliver them only by adding phony deductions and making false claims on your return.

Before signing a return that has been prepared for you, you should review it carefully to make sure all the information it

contains is truthful, especially concerning your income and deductions. Any errors or fabrications are your responsibility and you may have paid a hefty fee for a worthless service. You will have to return any refund money that you obtained by filing false information and you will owe interest and penalties.

Of course, you should also beware of any tax preparer who tries to get you to sign your return without carefully reading it, or who does not want to provide you with copies of your return.

Another type of tax scam misleads consumers into thinking they do not have to pay taxes. The scammers claim income taxes are voluntary and that you can buy an "untax package" that will make you exempt from all taxes. Naturally, a fee is required before you can learn the "secrets to tax freedom."

The outrageous argument that taxes are voluntary or optional has been repeatedly rejected by U.S. courts. In fact, a couple of years ago my office successfully sued a business that was perpetuating this scam. Taxes are NOT voluntary.

Yet another scam targets African-Americans, in particular. In this fraud, commonly referred to as the "reparations scam," you are contacted by individuals who claim that tax law allows credits or refunds as reparations for slavery.

Usually the scammers ask for a fee in return for filing the false claim for reparations, and the scam artist is long

gone before the victim realizes what has happened. The truth is, there is no such law, and the victim may be subject to civil penalties for filing a false claim.

Income tax scams at this time of year are not the only kind of chicanery to watch out for. A recurring scheme involves an official-looking mailer in which a business urges local homeowners to send in a fee to receive some kind of break on property taxes.

Most often, the "reduction" being offered is nothing other than the homestead exemption that is already available to Texas homeowners. There is no need to pay anyone to secure a homestead tax exemption. You can easily claim it yourself by contacting your local county tax assessor-collector.

Finally, beware of people going door-to-door posing as IRS agents. These people may claim you owe back taxes and pressure you to write a check on the spot. Don't pay them anything and don't let anyone into your home who claims to be an IRS agent without first verifying their identification and documentation.

If you believe an imposter has shown up at your door, call your local police department immediately. Afterwards, you should call the U.S. Treasury Inspector General's Hotline at (800) 366-4484.

Pay your taxes and enjoy your refunds. Don't let a scam artist cash in on your windfall, and don't let a bogus tax return business get you into trouble with the IRS.

POINTS TO REMEMBER



ABOUT TAX SCAMS

- If you have your taxes prepared for you, read the returns carefully before you sign anything.
- You will be held responsible for your return even if it is prepared by someone else.
- Taxes are NOT voluntary.
- There is no law that excuses taxes in reparation for slavery.
- IRS Hotline for tax assistance: (800) 829-1040
- IRS Hotline to report tax fraud: (800) 829-0433
- U.S. Treasury Inspector General's Hotline to report an IRS imposter: (800) 366-4484

Information on this and other topics is available on the Attorney General's website at www.oag.state.tx.us



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