

Justice Department Warns Taxpayers to Avoid Unscrupulous Tax Return Preparers

Cross References

- www.justice.gov

As tax filing season begins, the Department of Justice issued a warning on its website to beware of unscrupulous tax return preparers. The Department of Justice applies both civil and criminal tools at its disposal to shut down illegal tax return preparation activity. Taxpayers should always remain wary of tax return preparers who claim they can obtain larger refunds than others or engage in other unscrupulous practices.

While most tax return preparers are professional and honest, some prepare returns with false information in order to improperly boost a taxpayer's refund or reduce their liability or to increase business and preparation fees. But, under the law, taxpayers are responsible for what is reported on their returns. When the IRS uncovers the falsehoods, the taxpayer can face penalties and interest and, if circumstances warrant, criminal prosecution.

"Fraudulent tax return preparers harm taxpayers, legitimate businesses, and the American public," said Principal Deputy Assistant Attorney General Richard E. Zuckerman. "The Justice Department is committed to working with our partners at the Internal Revenue Service to protect the law-abiding American public and the treasury by stopping this fraud."

Every year, the Justice Department's Tax Division, in collaboration with U.S. Attorney's Offices, files dozens of civil actions throughout the United States seeking court orders to shut down tax return preparers who allegedly prepared false tax returns, and to punish dishonest tax return preparers for their fraudulent activities. When the evidence supports criminal enforcement action, the Department of Justice and U.S. Attorney's offices pursue criminal prosecutions of tax return preparers.

Examples of some recent criminal convictions obtained by the Tax Division include:

- On January 28, 2019, a Minneapolis-based tax return preparer was sentenced to serve 121 months in prison for managing and directing a fraudulent return-preparation business, which prepared returns that reported false dependents, fake business income and losses, inflated deductions, inflated credits, and false filing statuses, in order to get customers inflated refunds.
- On November 14, 2018, a Las Vegas, Nevada, tax return preparer was sentenced to 37 months in prison for aiding and assisting in the filing of false tax returns that included multiple false items, including charitable contributions, capital loss deductions, energy tax credits, and unreimbursed employee expenses, such as business meals and transportation expenses.

- On September 13, 2018, a resident of Winton-Salem, North Carolina, who was licensed as an attorney in Georgia, was sentenced to 13 months in prison for aiding and assisting in the preparation of fraudulent tax returns.

In the past decade, the Tax Division has obtained injunctions against hundreds of unscrupulous tax preparers and tax scheme promoters. Information about these cases is available on the Justice Department's website. An alphabetical listing of persons enjoined from preparing returns and promoting tax schemes can also be found on the Justice Department's website.

When selecting a tax return preparer:

- Be wary of tax return preparers who claim they can obtain larger refunds than others can.
- Avoid tax return preparers who base their fees on a percentage of the refund or who offer to deposit all or part of the taxpayer's refund into their financial accounts.
- Taxpayers should use a preparer with a preparer tax identification number (PTIN). Paid tax return preparers are required to have a PTIN to prepare all or substantially all of a tax return.
- Use a reputable tax professional, who enters their PTIN on the tax return, signs the tax return, and provides the taxpayer a copy of the return.
- Consider whether the individual or firm will be around for months or years after filing the return to answer questions about the preparation of the tax return.
- Never sign a blank tax form.
- Check the person's credentials. Only attorneys, CPAs, and enrolled agents can represent taxpayers before the IRS in all matters, including audits, collections, and appeals.

The IRS has some information on its website about selecting a return preparer and has launched a free directory of federal tax preparers and a list of tips for choosing a tax preparer.