



# Avoiding Tax Scams

by Amy Fontinelle ([Contact Author](#) | [Biography](#))

Have you ever been contacted by someone claiming to know a secret that will help you significantly reduce your tax bill or avoid paying taxes altogether? Have you ever received an email from the [IRS](#) asking for personal information? If you've answered yes to either of these questions then you've probably had an encounter with a tax scam. We will look at seven common scams to help you avoid becoming a victim. Examining these scams will make you aware of what to look for if other scams come your way.

## Impostor Websites

The official IRS website is <http://www.irs.gov/>. Any other website claiming to be an official IRS website is a fake. Unfortunately, there are a lot of impostor sites out there, and many of them are engaged in [identity theft](#). Some bogus sites are easy to spot for the seasoned internet user because of their cheap appearance, but that same site may seem legitimate to someone who is less internet savvy. Other sites may be difficult for even experienced users to sniff out, because they steal content from the real IRS website. To help all types of users, the IRS website has several pages dedicated to identifying fake IRS sites, including directions on how to report them.

## Email Scams

Email scams are in a similar category. An email scam may try to get your personal information by asking you to click on a link to a phony IRS site or another [phishing](#) site that will ask for personal information. Email can also contain damaging attachments which, if opened, can give hackers access to the personal information on your computer. The IRS does not initiate contact by email, so if you receive an email that appears to be from the IRS, you can assume it's a scam. (For more, see [Avoiding Online Investment Scams](#).)

## Fake Tax Forms

One tax scam the IRS uncovered in 2008 involved a fake tax form purporting to be from a legitimate organization, the Taxpayer Advocate Service. This scam involved asking recipients for detailed personal financial information such as their bank account numbers, ATM PINs and credit card numbers, all in the name of getting tax refunds. In this case, the fake form arrived as an email attachment. Just because this particular scam was uncovered doesn't mean that a similar one won't appear in your inbox or mailbox in the future, so be on the alert for any email that requests person information.

## Tax Protester Schemes

One longstanding tax scheme is the notion that you don't have to pay [income taxes](#), because paying taxes and/or filing a [return](#) is "voluntary". The worst part is that if you are caught, not only will you

owe back taxes, [interest](#) and penalties, you will also be fined an additional \$5,000 penalty as outlined in IRS Notice 2007-30 for filing a "frivolous tax return" or failing to file based on a "frivolous position". The "voluntary" aspect of the tax code refers to the fact that it is up to individuals to calculate their tax liability, and to arrange their finances in such a way as to legally minimize their [tax liability](#). In other words, the government does not send out bills every April telling people how much they owe. (Learn some legitimate tax tips, read [How To Owe Nothing On Your Federal Tax Return](#).)

### **Fake Home Businesses**

Some tax-scammers want to sign you up for a work-at-home business that they claim will allow you to take substantial [deductions](#) for personal expenses by turning them into legitimate [business expenses](#). You would probably already identify most of these business setups as scams. For example, ads that say "Make \$500 a week stuffing envelopes from your couch!" The scammers make money by selling you a kit that tells you how to make these supposedly legitimate deductions, or by selling you their tax preparation services.

Stay far away from these scams. Even if you are an unwitting victim, the IRS will still hold you responsible for the taxes you didn't pay, and interest on those taxes when they uncover your illegal tax avoidance. In a worst-case scenario, you may even be subject to penalties, fines and imprisonment. If your suspicious-looking tax return doesn't give you away, the IRS will find you when it catches the person running the scam that you purchased, and forces him or her to turn over customer records. (Find out about other tax-based scams in [Refund Anticipation Loans: Ripoff Or Royal Screwjob?](#))

### **Unethical Tax Preparers**

Similar to the fake home business scam is the unethical tax preparer scam. Some tax preparers claim the ability to give you zero or extraordinarily low tax liability, and then make lots of money by charging high fees for their services or by skimming money from your return. They often make their claims in over-the-top statements, bold letters and bright colors. Compare these ads to those from a legitimate, licensed [Certified Public Accountant](#), which will likely use subtle colors, have an understated, professional appearance and will focus on things like years of experience and areas of expertise.

Legitimate ads might simply state that the company or person is available to prepare your tax return. Advertisements that don't try to oversell themselves or promise great riches are much more likely to be legitimate. Remember that you are still responsible for what is on your return regardless of who prepares it, so carefully choose an advisor and trust your instincts if it sounds too good to be true. (For further reading, see [Common Tax Questions Answered](#).)

### **Tax Debt Settlement Scams**

For these scams, predators target people who owe large [debts](#) to the IRS. The predators claim that they can settle these debts for pennies on the dollar. Most of these scammers can only prepare an [offer in compromise](#) (OIC) for you. An OIC is a settlement proposal that an indebted taxpayer submits to the IRS – a proposal that is rejected in approximately 75% of cases. These offers are only

accepted in the case of extreme financial hardship, and if you can afford to pay someone to prepare an OIC for you – something you can do yourself – the IRS isn't going to buy your claims of extreme financial hardship. Under these scams, you're basically just handing over several hundred, or even several thousand, dollars in exchange for nothing. (For more, see [Stop Scams In Their Tracks](#).)

### Conclusion

The reason that the majority of Americans pay their income taxes is not because they're stupid or underinformed – they do it because it's the law, so don't believe the offers that tell you otherwise. If you suspect an individual or an organization of committing tax fraud, you can report them to the IRS using the Information Referral Form (Form 3949-A), and help stop them from getting anyone else in trouble. (To learn more about what you can do about inaccurate tax returns, read [Inaccurate Tax Return, Now What?](#))

by Amy Fontinelle, ([Contact Author](#) | [Biography](#))

Amy Fontinelle is a freelance writer and editor with clients located across the United States and in Canada. She has written over 300 published articles and blog posts for a variety of national and local publications and websites on topics including travel, restaurants, food and drink, fitness, budgeting, credit management, real estate, investing and historic preservation. Her articles have been featured on the homepage of Yahoo! and on Yahoo! Finance, Yahoo! HotJobs, several local news websites and Forbes.com.

You can read more of Amy's personal finance articles at [Two Pennies Earned](#), her own personal finance website, and at [PF Advice](#), one of the web's leading personal finance blogs.

**\*\* This article and more are available at Investopedia.com - Your Source for Investing Education \*\***