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Tax Scam Tactics

With the ongoing recession, it is not uncommon to find tax scams getting more widespread. Most tax scams are aimed at either stealing your identity online or claiming your tax refund. If you have not been a victim of any form of tax fraud, prevention is better than cure. And a huge part of prevention has to do with knowing the wiles of the scammers and their tactics. Here are some of the most common tax scam tactics you should be aware of.

Tax Preparation scams

Scammers act as tax preparers providing tax preparation services with the promise of obtaining large refunds. These scam artists make their money by either skimming a portion of your refunds or charging inflated tax preparation fees. Some scammers are willing to file fraudulent claims for you for refunds on items such as fuel tax credits to recover taxes paid in prior years. You should not hire such preparers, no matter how tempting it is to game the system. Appoint only reputable tax preparers or approach the government sponsored ones like the free Volunteer Income Tax Assistant (VITA) at VITA centers located nationwide.

Phishing scams

Phishing means stealing your personal identification details such as Social Security numbers, credit card or bank account details via email. Once such information is obtained, scammers would often empty your bank accounts electronically, steal your tax refunds or masquerade as you to apply for loans or rack up high charges on your credit cards. The IRS never contacts people via email, so if you receive an email purportedly from the IRS, you should report it to the IRS by forwarding it to phishing@irs.gov before deleting it.

Financial incentives scams

Sometimes, scammers bring you 'news' that you are entitled to a 'rebate' from the IRS but you have to divulge your bank account numbers to receive it. You may be informed by phone or email about this matter and if you are not willing to provide the details, you are told that you cannot receive the rebate unless the information is provided. But usually, if you are eligible for any form of refund, you will not have to do anything other than file your normal federal tax return.