Don't Get Hooked by Phishing Scams

WILMINGTON - The Internal Revenue Service is alerting taxpayers this filing season to watch out for schemes that may result in identity theft or financial scamming.

High on the list is “phishing,” a favorite ploy of identity thieves. Over the past few years, the IRS has observed criminals working through the Internet, posing even as representatives of the IRS itself, with the goal of tricking unsuspecting taxpayers into revealing private information that can be used to steal from their financial accounts.

“Don’t let yourself get involved in a tax scam or be victimized by one,” said IRS spokesperson Gregg Semanick. “Be very careful who you trust for tax advice and who you trust with your personal information.”

“The ‘phishing’ ploy and other schemes surface each year as tax filing season is in full swing,” said Semanick. “Con artists shamelessly take advantage of people. People should be on-guard for these scams.”

Identity Theft: It pays to be choosy when it comes to disclosing personal information. Identity thieves have used stolen personal data to access financial accounts, run up charges on credit cards and apply for new loans. The IRS is aware of several identity theft scams involving taxes or scammers posing as the IRS itself. The IRS does not use e-mail to contact taxpayers about issues related to their accounts or refunds. If you have any doubt whether a contact from the IRS is authentic call 1-800-829-1040 to confirm it.

Bogus Refunds: The caller says you have a refund waiting with the IRS, and all you need to do is provide a bank account or other personal information in order to have the refund deposited. Don’t buy into this scam. The IRS does not call taxpayers informing them that bank account or other personal information is needed to receive a refund. The scammer is attempting to steal your identity or financial information. The IRS would notify a taxpayer by mailed correspondence if they have an outstanding refund forthcoming. Subsequently, a refund check would be issued and mailed to the taxpayer. To follow-up on a refund call the IRS at 1-800-829-1040 or check the “Where’s My Refund?” feature at www.irs.gov.

Pay the Tax, Then Get the Prize: The caller says you’ve won a prize, and all you have to do to get it is to pay the income tax due. Don't believe it. Someone who really wins a prize may need to make an estimated tax payment to cover the taxes that will be due at the end of the year. But the payment goes to the IRS – not the caller. Whether the prize is cash, a car or a trip, a legitimate prize giver generally sends both the winner and the IRS a Form 1099 showing the total prize value that should be reported on the winner’s tax return.

Return Preparer Fraud: Dishonest tax return preparers can cause many headaches for taxpayers who fall victim to their ploys. Such preparers derive financial gain by skimming a portion of their clients’ refunds and charging inflated fees for return preparation services. They attract new clients by promising large refunds without using proper records or documents. Taxpayers should choose carefully when hiring a tax preparer. No matter who prepares your tax return you are ultimately responsible for its accuracy.
Share/Borrow EITC Dependents: Unscrupulous tax preparers "share" one client's qualifying children with another client in order to allow both clients to claim the Earned Income Tax Credit. For example, one client may have four children but only needs to list two to get the maximum EITC. The preparer will list two children on the first client’s return and the other two on another client’s tax return. The preparer and the client "selling" the dependents split a fee. The IRS prosecutes the preparers of such fraudulent claims, and participating taxpayers could be subject to civil penalties.

How to Report Suspected Tax Fraud Activity

Suspected tax fraud can be reported to the IRS using IRS Form 3949-A, Information Referral. Form 3949-A is available for download from the IRS Web site at IRS.gov, or through the U.S. Mail by calling 1-800-829-3676. The completed form or a letter detailing the alleged fraudulent activity should be addressed to the Internal Revenue Service, Fresno, CA 93888. The mailing should include specific information about who is being reported, the activity being reported, how the activity became known, when the alleged violation took place, the amount of money involved and any other information that might be helpful in an investigation. The person filing the report is not required to self-identify, although it is helpful to do so. The identity of the person filing the report can be kept confidential. The person may also be entitled to a reward.

“The best advice for individuals is to remember the concept of ‘buyer beware,’” Semanick said. “Think carefully before paying for services or furnishing personal information. And don’t be fooled by outrageous promises. If something sounds too good to be true, it probably is.”