



DIRTY (HALF) DOZEN: WATCH FOR THESE RED FLAGS WHEN CHOOSING A TAX PREPARER

From the *Journal of Accountancy* by Martha Waggoner

The IRS reached the halfway point of its annual "Dirty Dozen" list of tax scams on Monday, March 27, when it advised that taxpayers be careful when choosing a preparer to handle their returns.

A major red flag that the preparer is not a CPA or another type of professional tax preparer is if the preparer refuses to sign the return or include their IRS preparer tax identification number (PTIN) as required by law, the agency said in a [release](#). Another warning sign is when preparers base their fee on the size of the refund.

"Most tax professionals offer excellent advice and can really help people navigate complex tax issues. But we continue to see instances where taxpayers are 'ghosted' by unscrupulous tax preparers with bad advice who quickly disappear," said IRS Commissioner Danny Werfel. "We encourage taxpayers to check out the tools and resources available to them to ensure they find the right tax professional for their needs."

Tax professionals include CPAs and others with different levels of [credentials and qualifications](#). The IRS offers resources on the types of preparers and representation rights along with the [Directory of Federal Tax Return Preparers with Credentials and Select Qualifications](#).

The [annual list covers 12 scams and schemes](#) that put taxpayers and the tax professional community at risk of losing money, personal information, data, and more. Some items are new, while others are repeats from previous years.

The IRS opened the 2023 list with a warning about claims involving employee retention credits (ERCs) as a new entry on the list but one the IRS has highlighted previously. The IRS said it is stepping up enforcement of ERC rules as promoters are advertising to con ineligible people into claiming the credit, which was valid during the pandemic for a limited group of businesses, the agency said.

"Businesses should be wary of advertised schemes and direct solicitations promising tax savings that are too good to be true," Werfel said. "They should listen to the advice of their trusted tax professional. Taxpayers should remember that they are always responsible for the information reported on their tax returns. Improperly claiming this credit could result in taxpayers having to repay the credit along with potential penalties and interest."

The ERC is a refundable tax credit for businesses that continued paying employees while shut down due to the COVID-19 pandemic or that had a significant decline in gross receipts during the eligibility periods. The credit is not available to individuals.

The other four scams or schemes the IRS has released as of Monday:

- **Phishing and smishing schemes:** Cybercriminals try to steal a taxpayer's information through scam emails or text messages. These messages arrive in the form of an unsolicited text or email to lure unsuspecting victims to provide valuable personal and



financial information that can lead to identity theft. The IRS reminded taxpayers that it initiates most contact through regular mail and will never initiate contact with taxpayers by email, text, or social media regarding a bill or tax refund.

- **Third-party scammers:** Swindlers pose as a "helpful" third party and offer to help create a taxpayer's IRS online account, then try to steal a taxpayer's personal information. Taxpayers can and should establish their own online account through IRS.gov.
- **Promoters pushing improper fuel tax credit claims:** The fuel tax credit is not available to most taxpayers since it is meant for off-highway business and farming use. In this scam, a third party persuades a taxpayer to fraudulently claim the credit with promises of a windfall refund. But the promoters are focused on their own gain, taking advantage of the taxpayer with inflated fees, refund fraud, and identity theft.
- **Fake charities:** Scammers set up these fake organizations to take advantage of the public's generosity, especially during a crisis or natural disaster. They seek money and personal information, which can be used to further exploit victims through identity theft. The IRS advises that you resist pressure to donate immediately, verify the charity first, and be wary about how a donation is requested. Pay by credit card or check only after verifying the charity is real.