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NEWS RELEASE FOR IMMEDIATE RELEASE

IRS Unveils 2009 List of Notorious Tax Scams—the "Dirty Dozen"

Tax Expert from Thomson Reuters Warns Taxpayers to Steer Clear from these Schemes

New York, NY, April 21, 2009 – The IRS has unveiled its latest list of notorious tax scams, which it calls the "Dirty Dozen," highlighted by schemes involving phishing, hiding income offshore and false claims for refunds. According to William E. Massey, Senior Tax Analyst from the Tax & Accounting business of Thomson Reuters, "taxpayers should avoid these schemes because they don't work and can lead to interest, penalties and possible criminal prosecution in some cases."

The IRS has identified the following tax scams as this year's "Dirty Dozen":

Phishing. This is a tactic used by Internet-based scam artists to trick unsuspecting victims into revealing personal or financial information. The criminals use the information to steal the victim's identity, access bank accounts, run up credit card charges or apply for loans in the victim's name. Phishing scams often take the form of an e-mail that appears to come from a legitimate source. The IRS warns that it "never initiates unsolicited e-mail contact with taxpayers about their tax issues," notes Massey.

Hiding income offshore. The IRS aggressively pursues taxpayers and promoters involved in abusive offshore transactions. Taxpayers have tried to avoid or evade U.S. income tax by hiding income in offshore banks, brokerage accounts or through other entities. "Voluntarily coming forward can avoid criminal prosecution under a recent IRS settlement initiative," says Massey. Dishonest taxpayers also evade taxes by using offshore debit cards, credit cards, wire transfers, foreign trusts, employee-leasing schemes, private annuities or life insurance plans. The IRS has also identified abusive offshore schemes including those that involve use of electronic funds transfer and payment systems, offshore business merchant accounts and private banking relationships.

Filing false or misleading forms. The IRS is seeing scam artists file false or misleading returns to claim refunds that they are not entitled to.

Abuse of charitable organizations and deductions. The IRS continues to observe the misuses of tax-exempt organizations. These include arrangements to improperly shield income or assets from taxation, as well as attempts by donors to maintain control over donated assets or income from donated property. The IRS also continues to investigate various schemes involving the donation of non-cash assets, including easements on property, closely-held corporate stock and real property.

Return preparer fraud. Dishonest tax return preparers can cause many problems for taxpayers who fall victim to their ploys. As the complexity of the tax code increases, more taxpayers find themselves overwhelmed and turning to professional advice. The IRS informs taxpayers to choose a tax preparer wisely. "You can start with recommendations from people you trust, but do your research," Massey advises.

Frivolous arguments. Promoters of frivolous schemes encourage people to make unreasonable and unfounded claims to avoid paying the taxes they owe. The IRS has a list of frivolous legal positions that taxpayers should stay away from.

False claims for refund and requests for abatement. This scam involves a request for abatement of previously assessed tax using Form 843, "Claim for Refund and Request for Abatement."

Abusive retirement plans. The IRS continues to uncover abuses in retirement plan arrangements, including Roth IRAs. "Here, the IRS is looking for transactions that taxpayers are using to contribute too much to IRAs or to take early distributions from IRAs without paying premature withdrawal penalties," says Massey.

Disguised corporate ownership. Some taxpayers form corporations and other entities in certain states for the primary purpose of disguising the ownership of a business or financial activity. Such entities can be used to facilitate underreporting of income, fictitious deductions, non-filing of tax returns, participating in listed transactions, money laundering, financial crimes, and even terrorist financing. IRS is working with state authorities to identify these entities and to bring the owners of these entities into compliance.

Zero wages. Filing a phony wage or income-related information return to replace a legitimate information return has been used as an illegal method to lower the amount of taxes owed.

Misuse of trusts. For years, unscrupulous promoters have urged taxpayers to transfer assets into trusts. They promise reduction of income subject to tax, deductions for personal expenses and reduced estate or gift taxes. "While many trusts can achieve legitimate tax planning goals, the ones the IRS is talking about simply don't deliver the promised tax benefits," notes Massey.

Fuel tax credit scams. The IRS is receiving claims for the fuel tax credit that are unreasonable. Some taxpayers, such as farmers who use fuel for off-highway business purposes, may be eligible for the fuel tax credit. But some individuals are claiming the tax credit for nontaxable uses of fuel when their occupation or income level makes the claim unreasonable. Fraud involving the fuel tax credit is considered a frivolous tax claim. “That’s significant, because those improperly claiming the credit can be socked with a $5,000 penalty,” observes Massey.

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