

Tax Related Identity Theft and Other Tax Scams



The Office of the
Minnesota Attorney General
helping people afford their lives and live with dignity, safety, and respect

Each year millions of Americans become victims of tax-related identity theft and refund scams. Don't let this happen to you! **Be on alert for these common scams:**

Tax-Related Identify Theft

Under this scam, identity thieves steal taxpayers' personal information—such as their name and Social Security number—and use it to file fraudulent tax returns to receive refunds. In most cases, taxpayers don't learn they are victims until after the IRS rejects their tax return due to the previously filed fraudulent return.

Take, for instance, **"Dave"** and **"Julie,"** who filed their joint tax return at the filing deadline. Several weeks later, they received a letter from the IRS notifying them that their return was rejected because Julie had already filed a return, using an Arizona address, and received a \$10,000 refund. Julie, however, had never been to Arizona, had not filed a tax return with an Arizona address, and wasn't owed a refund.

"Phishing"

Scam artists often impersonate the IRS to lure people into disclosing personal and financial information that can be used to commit the crimes of theft and identity theft. While emails are the most common "bait," consumers also report receiving calls from fraudsters who claim to be tax officials and instruct them to provide personal and financial information. Scam artists also create phony websites designed to look like the website of a well known company or government agency to trick consumers into believing they are dealing with an entity they can trust.

Intimidation Scams

Scam artists may impersonate the IRS or Minnesota Department of Revenue to intimidate people into making payments on supposed back taxes. The scam artists often threaten people with arrest, lawsuits and imprisonment, and demand they make immediate or unconventional payments. These criminals will say anything to try to get people to send them money, and may call over and over in an attempt to wear down potential victims.

For example, **"Sarah"** received a call from an individual who identified himself as an IRS agent and claimed she owed \$30,000 in back taxes. The individual told her that he would send the police to arrest her and have her thrown in jail if she did not wire him \$6,000 to settle the debt. When Sarah disputed the debt and hung up, the individual relentlessly called her for hours, leaving several threatening messages.

Preparer Fraud

Many taxpayers use tax professionals to help them prepare and file their tax returns. Most preparers do great work, but some bad actors promise guaranteed refunds and then charge exorbitant fees or "skim" money from their client's refunds.

Tax Relief Companies

In some cases, tax relief companies provide anything but relief. The most unscrupulous operators use deceptive marketing tactics and charge hefty up-front fees, but then fail to deliver the promised help. To make matters worse, these companies sometimes make mistakes that end up costing taxpayers even more money.

Consider **"Robert,"** who hired a tax relief company that promised to help him pay off his back taxes. After six months and more than a thousand dollars in fees, Robert still hadn't heard from the company about how it planned to help him resolve the debt.

Refund Anticipation Loans and Checks

Although these loans sound like a slick way to get your refund quickly, they typically come with high interest rates and costly fees. In most cases, the IRS and the Minnesota Department of Revenue can deposit taxpayers' refunds directly into their bank account or onto a prepaid debit card within three weeks without any added fees.

Sham Charities

Sham charities—oftentimes created after a natural disaster—prey on the generosity of citizens. These scam artists solicit cash donation and goods, but then provide little or no charitable assistance. Sham charities also sometimes falsely claim that donations are tax deductible. Be aware that only donations made to IRS qualified charities are tax deductible.

Advice for Avoiding Tax Scams

Remember never to provide personal or financial information to unknown individuals over the phone or through email and text messages. Also, be alert for phony websites created by scam artists attempting to steal information. The IRS and Minnesota Department of Revenue do not request personal or financial information from taxpayers by email or text message, and do so by phone only in very rare instances. If in doubt, don't give it out. Instead, contact these agencies directly using the contact information listed on their websites or in the tax booklets.

Check your credit report at least once a year and report inaccuracies. Many people first learn they are victims of identity theft by discovering inaccuracies on their credit report. Minnesota residents can obtain a free credit report every twelve months from the three major credit bureaus by calling (877) 322-8228, online at www.annualcreditreport.com, or by writing to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281.

If you hire a tax professional to prepare your return, ask for his or her credentials up front. Be wary of preparers who promise guaranteed refunds or charge a fee based on a percentage of your refund. Always make sure you review your return and ask your preparer questions about entries you don't understand before signing it. Never sign a blank form! You are responsible for all the information on your tax returns regardless of whether someone else prepared it.

Victims of Tax-Related Identity Theft

If you are the victim of tax-related identity theft, there are certain steps you should take to protect your identity. First, call the IRS at (800) 908-4490 and the Minnesota Department of Revenue (800) 652-9094. Second, complete an IRS Identity Theft Affidavit (Form 14039) and submit it to the IRS. Third, place a fraud alert on your credit report by calling the three major credit bureaus as follows:

Equifax:	Experian:	TransUnion:
(888) 766-0008	(888) 397-3742	(800) 680-7289

Going forward, monitor your credit report and financial accounts for suspicious activity. If you discover incorrect information on your credit reports, dispute it with the credit bureaus. If you find unauthorized activity in your financial statements, immediately contact your financial institution's fraud department.

You can find more information and a step-by-step guide for victims of tax-related identity theft at www.irs.gov/identitytheft and www.revenue.state.mn.us/signs-potential-tax-evasion-or-tax-fraud.

For additional information, contact the Office of Minnesota Attorney General Keith Ellison as follows:

Office of Minnesota Attorney General Keith Ellison

445 Minnesota Street, Suite 600

St. Paul, MN 55101

(651) 296-3353 (Twin Cities Calling Area)

(800) 657-3787 (Outside the Twin Cities)

(800) 627-3529 (Minnesota Relay)

www.ag.state.mn.us