

IRS Warns Individuals to Stay Clear of Shady Tax Preparers

Cross References

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The IRS is cautioning taxpayers to avoid unscrupulous tax return preparers and has provided taxpayers with important tips to find the right tax professional.

Common warning signs include charging a fee based on the size of the refund. Some “ghost” tax preparers refuse to sign the tax return or ask people to sign a blank return.

“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.”

Choose carefully: Check credentials of tax return preparers. Taxpayers should choose a tax preparer as carefully as they choose a doctor or lawyer. After all, the tax preparer is entrusted with sensitive personal and financial information. While there are different types of tax preparers with varying levels of credentials and qualifications, there are constants when it comes to finding a preparer:

- A taxpayer’s individual needs will determine which kind of preparer is best for them.
- Taxpayers are ultimately responsible for all the information on their income tax return, regardless of who prepares the return.
- Tax professionals are required to have an IRS Preparer Tax Identification Number (PTIN) to prepare federal tax returns.

The IRS offers resources for taxpayers to educate themselves on types of preparers, representation rights, as well as a Directory of Federal Tax Return Preparers with Credentials and Select Qualifications. This directory can help taxpayers find a return preparer with specific qualifications to fit their needs. The directory is searchable and sortable. The directory can be found at: <https://irs.treasury.gov/rpo/rpo.jsf>

Don’t get ghosted: Avoid shady or self-serving tax professionals. Most tax return preparers provide outstanding and professional service. Unfortunately, there are also some unethical tax preparers that should be avoided at all costs.

A major red flag or bad sign is when the tax preparer is unwilling to sign the dotted line. Avoid these “ghost” preparers, who will prepare a tax return but refuse to sign or include their IRS Preparer Tax Identification Number (PTIN) as required by law.

Not signing the return could mean the preparer may be looking to make a quick profit by promising a big refund or charging fees based on the size of the refund. This leaves the taxpayer vulnerable and on the hook for any misinformation on the return. Taxpayers should never sign a blank or incomplete return.

Shady tax preparers may:

- Ask for a cash only payment without providing a receipt.
- Invent false income to try to get their clients more tax credits.
- Claim fake deductions to boost the size of the refund.
- Direct refunds into their bank account, not the taxpayer's account.

Taxpayers can report preparer misconduct to the IRS using Form 14157, *Complaint: Tax Return Preparer*. If a taxpayer suspects a tax return preparer filed or changed their tax return without their consent, they should file Form 14157-A, *Tax Return Preparer Fraud or Misconduct Affidavit*.

Make a difference: Report fraud, scams and schemes. The IRS encourages people to report individuals who promote improper and abusive tax schemes as well as tax return preparers who deliberately prepare improper returns.

To report an abusive tax scheme or a tax return preparer, people should mail or fax a completed Form 14242, *Report Suspected Abusive Tax Promotions or Preparers*, and any supporting materials to the IRS Lead Development Center in the Office of Promoter Investigations.

Mail:

Internal Revenue Service Lead Development Center
Stop MS5040
24000 Avila Road
Laguna Niguel, CA 92677-3405
Fax: 877-477-9135

Alternatively, taxpayers and tax practitioners may send the information to the IRS Whistle-blower Office for possible monetary reward.

<https://www.irs.gov/compliance/whistleblower-office>