

Tax Tips You Can Use



Tax Fraud!

By Kathleen Crawford, EA LTC #27851-C

First Published in the Jacksonville Review Feb 2008

TAX FRAUD! People may say that it could not happen here. Unfortunately, it can and has. In my practice, I have seen that most interesting and sad case of tax fraud that I can imagine. I am writing this to alert taxpayers who may have been taken in by this scheme and let you know to fix your tax returns before the Oregon Department of Revenue finds you.

In our area, there have been two tax preparers who, in the early 2000's, cheated Oregon out of tax revenue. In the case I saw, a preparer created a return for a person who had one W-2 form with wages. This is normally a simple return, but this preparer added educational tuition, energy tax credits, IRA contributions and several other credits. He was so creative, that I had to look up one of the credits because I had never heard of it before. The taxpayer got a refund of thousands of dollars, whereas in previous years she had paid a small amount. The taxpayer thought that is was too good to be true, but the person seemed legitimate and electronically filed her return, so she accepted the return and signed it. She also told all of her friends about the great deal she got!

The licensed, legitimate tax preparers in our area have asked why anyone would prepare hundreds of fraudulent returns. The preparer did not receive any more money for the return than if it had been done properly. The Oregon Department of Revenue (ODR) also does not know why the preparer did this, but the taxpayers are the ones paying the price.

The Oregon Department of Revenue (ODR) has researched which taxpayers used these two preparers. Although, in some cases, the preparer did not actually sign the returns, there is always an e-file transaction code. ODR is finding the "affected" taxpayers by these codes. The position of the state is that the returns were too good to be true and the taxpayers should not have signed or filed them. If a taxpayer is audited, in addition to paying the recomputed tax, a 100% fraud penalty is assessed.

What should you do if you or someone you know had a fraudulent return filed? You should file an amended return as soon as possible and pay the real tax you owe. It seems that if you "come forward" and fix your return before the state catches up with you, no penalty will be assessed. If the state finds you and audits the return, we are told that no amount of pleading will save the taxpayer from the 100% penalty assessment.

These two individuals are longer preparing returns in our state. The legitimate tax preparers in Oregon are professionals who are tested, licensed, and have many hours of education each year. Licensed tax consultants in our area are proud to sign the returns they prepare. However, people need to remember that it is the taxpayer who ultimately signs his or her return and it is the taxpayer who is responsible for its content.

The Jacksonville Tax Lady LLC (OR License # 13695) is located in beautiful, historic Jacksonville at 610 N. Fifth Street across from the Pony Espresso. Kathleen and Angela can be reached at 541-899-7926.

The fine print: This article is for information only. Please see your tax professional for questions about your individual tax situation.