



News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.317.4000

www.IRS.gov/newsroom

Public Contact: 800.829.1040

Excessive Claims for Fuel Tax Credits Make the IRS “Dirty Dozen” List of Tax Scams for the 2015 Filing Season

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WASHINGTON — The Internal Revenue Service today warned that taxpayers should watch for improper claims for fuel tax credits, one of the “Dirty Dozen” tax scams for the 2015 filing season.

“We will do everything we can to stop erroneous claims for the fuel tax credit and catch scammers promoting them,” said IRS Commissioner John Koskinen. “The IRS is also concerned about identity thieves trying to use this credit to inflate their bogus claims for refunds.”

Compiled annually, the “Dirty Dozen” lists a variety of common scams that taxpayers may encounter any time but many of these schemes peak during filing season as people prepare their returns or people to help with their taxes.

Fraud involving the fuel tax credit is considered a frivolous tax claim and can result in a penalty of \$5,000. Furthermore, illegal scams can lead to significant penalties and interest and possible criminal prosecution. IRS Criminal Investigation works closely with the Department of Justice (DOJ) to shutdown scams and prosecute the criminals behind them.

The fuel tax credit is generally limited to off-highway business use or use in farming. Consequently, the credit is not available to most taxpayers. But yet, the IRS routinely finds unscrupulous preparers who have enticed sizable groups of taxpayers to erroneously claim the credit to inflate their refunds.

Fuel Tax Credit Scams

The federal government taxes gasoline, diesel fuel, kerosene, alternative fuels and certain other types of fuel. Certain commercial uses of these fuels are nontaxable. Individuals and businesses that purchase fuel for one of those purposes can claim a tax credit by filing Form 4136, Credit for Federal Tax Paid on Fuels.

The tax is on fuels used to power vehicles and equipment on roads and highways. Taxes paid for fuel to power vehicles and equipment used off-road may qualify for the tax credit and may include farm equipment, certain boats, trains and airplanes.

Improper claims for the fuel tax credit generally come in two forms. An individual or business may make an erroneous claim on their otherwise legitimate tax return. Or an identity thief may claim the credit in a broader fraudulent scheme.

The IRS has taken a number of steps to improve compliance processes involving fuel tax credits.

IRS compliance filters are preventing a significant number of questionable fuel tax credit claims from being processed. For example, new identity theft screening filters have also improved the IRS's ability to identify questionable fuel tax credit claims during return processing, including preventing the issuance of \$33 million in questionable credit claims in 2013.

For the upcoming filing season, the IRS has taken additional steps to identify returns for review that claim fuel tax credits, including broadening the identification criteria to ensure a more comprehensive compliance approach in selecting questionable tax returns.