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Falsely Padding Deductions on Returns is on the IRS Annual “Dirty Dozen” List of Tax Scams to Avoid

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WASHINGTON — The Internal Revenue Service today warned taxpayers to avoid the temptation of falsely inflating deductions or expenses on their returns to under pay what they owe and possibly receive larger refunds.

The vast majority of taxpayers file honest and accurate tax returns on time every year. However, each year some taxpayers fail to resist the temptation of fudging their information. That’s why falsely claiming deductions, expenses or credits on tax returns is on the “Dirty Dozen” tax scams list for the 2016 filing season.

"Taxpayers should file accurate returns to receive the refunds they are entitled to receive and shouldn't gamble with their taxes by padding their deductions," said IRS Commissioner John Koskinen.

Taxpayers should think twice before overstating deductions such as [charitable contributions](#), padding their claimed [business expenses](#) or including credits that they are not entitled to receive – like the [Earned Income Tax Credit](#) or [Child Tax Credit](#).

Increasingly efficient automated systems generate most IRS audits. The IRS can normally audit returns filed within the last three years. Additional years can be added if substantial errors are identified or fraud is suspected.

Significant civil penalties may apply for taxpayers who file incorrect tax returns including:

- 20 percent of the disallowed amount for filing an erroneous claim for a refund or credit.
- \$5,000 if the IRS determines a taxpayer has filed a “frivolous tax return.” A frivolous tax return is one that does not include enough information to figure the correct tax or that contains information clearly showing that the tax reported is substantially incorrect.
- In addition to the full amount of tax owed, a taxpayer could be assessed a penalty of 75 percent of the amount owed if the underpayment on the return resulted from tax fraud.

Taxpayers even may be subject to criminal prosecution (brought to trial) for actions such as:

- Tax evasion
- Willful failure to file a return, supply information, or pay any tax due
- Fraud and false statements
- Preparing and filing a fraudulent return, or
- Identity theft.

Criminal prosecution could lead to additional penalties and even prison time.

Using tax software is one of the best ways for taxpayers to ensure they file an accurate return and claim only the tax benefits they're eligible to receive. [IRS Free File](#) is an option for taxpayers to use online software programs to prepare and e-file their tax returns for free.

[Community-based volunteers](#) at locations around the country also provide free face-to-face tax assistance to qualifying taxpayers helping make sure they file their taxes correctly, claiming only the credits and deductions for which they're entitled by law.

Taxpayers should remember that they are legally responsible for what is on their tax return even if it is prepared by someone else, so they should be wise when selecting a tax professional. The IRS offers important [tips for choosing a tax preparer](#) at IRS.gov.

More information about [IRS audits](#), the [balance due collection process](#) and possible [civil and criminal penalties](#) for noncompliance is available at the IRS.gov website.

Taxpayers can also learn more about the [Taxpayer Bill of Rights](#) at IRS.gov. This is a set of fundamental rights each and every taxpayer should be aware of when dealing with the IRS, including when the IRS audits a tax return.

To find tips about choosing a return preparer, better understand the differences in credentials and qualifications, research the IRS preparer directory, and learn how to submit a complaint regarding a tax return preparer, visit www.irs.gov/chooseataxpro.