



News Release

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IRS Includes Falsifying Income Scam in 2017 List of “Dirty Dozen”

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WASHINGTON — The Internal Revenue Service today continued issuing its annual list of common tax scams by warning taxpayers to avoid schemes to erroneously claim tax credits. This year’s “Dirty Dozen” includes falsifying income to claim tax credits.

“Taxpayers should ensure all the information they provide on their tax return is accurate,” said IRS Commissioner John Koskinen. “Falsifying income to claim tax credits is against the law. Taxpayers are legally responsible for all the information reported on their tax returns.”

The “Dirty Dozen,” a list compiled annually by the IRS, describes a variety of common scams that taxpayers may encounter. Many of these schemes peak during filing season as people prepare their returns or hire others to help them.

Scams can lead to significant penalties and interest and possible criminal prosecution. IRS Criminal Investigation works closely with the Department of Justice to shutdown scams and prosecute the criminals behind them.

Don’t Make Up Income

Some people falsely increase the income they report to the IRS. This scam involves inflating or including income on a tax return that was never earned, either as wages or self-employment income, usually to maximize refundable credits.

Much like falsely claiming an expense or deduction you did not pay is not right, claiming income you did not earn is also inappropriate. Unscrupulous people do this to secure larger refundable credits such as the Earned Income Tax Credit and it can have serious repercussions. Taxpayers can face a large bill to repay the erroneous refunds, including interest and penalties. In some cases, they may even face criminal prosecution.

Fake Forms 1099-MISC

The IRS cautions taxpayers to avoid getting caught up in scheme disguised as a debt payment option for credit cards or mortgage debt. It involves the filing of a Form 1099-

MISC, *Miscellaneous Income*, and/or bogus financial instruments such as bonds, bonded promissory notes or worthless checks.

Con artists often argue that the proper way to redeem or draw on a fictitious held-aside account is to use some form of made-up financial instrument such as a bonded promissory note that purports to be a debt payment method for credit cards or mortgage debt. Scammers provide fraudulent Form(s) 1099-MISC that appear to be issued by a large bank, loan service and/or mortgage company with which the taxpayer may have had a prior relationship, to further perpetrate the scheme. Form 56, *Notice Concerning Fiduciary Relationship*, may also be used by participants in this scam to assign fiduciary responsibilities to the lenders.

Taxpayers may encounter unethical return preparers who make them aware of these scams. Remember: Taxpayers are legally responsible for what's on their tax return even if it is prepared by someone else.

Choose Return Preparers Carefully

It is important to choose carefully when hiring an individual or firm to prepare your return. Well-intentioned taxpayers can be misled by preparers who don't understand taxes or who mislead people into taking credits or deductions they aren't entitled to in order to increase their fee. Every year, these types of tax preparers face everything from penalties to jail time for defrauding their clients.

To find tips about choosing a 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.