

# New Clean Energy Tax Credit Scam

## Cross References

- IR-2024-182

The Internal Revenue Service is warning taxpayers not to fall victim to a new emerging scam involving buying clean energy tax credits.

In this latest scam, the IRS is seeing instances where unscrupulous tax return preparers are misrepresenting the rules for claiming clean energy credits under the Inflation Reduction Act (IRA).

The transferability provisions of the IRA enable the purchase of eligible federal income tax credits from investments in clean energy to offset a buyer's tax liability. The IRS has seen taxpayers file returns using unscrupulous return preparers who are claiming purchased clean energy credits that the taxpayer is ultimately unable to benefit from.

The scam is generally targeting individuals who file Form 1040. The preparers file returns that have individuals improperly claiming IRA credits that offset income tax from sources such as wages, Social Security and retirement account withdrawals.

Individuals purchasing tax credits under the IRA are subject to the passive activity rules for any purchased credits. Generally, this means they can only use purchased credits to offset income tax from a passive activity. Most taxpayers do not have passive income and a passive income tax liability. Most investment activities are not considered passive.

"This is another example where scammers are trying to use the complexity of the tax law to entice people into claiming credits they're not entitled to," said IRS Commissioner Danny Werfel. Taxpayers should be wary of promoters pushing dubious credits like this and others. The IRS is watching out for this scam, and we urge people to use a reputable tax professional before claiming complex credits like clean energy."

The IRS noted individual taxpayers claiming inappropriate credits risk future compliance action by the IRS and are responsible for repaying the inflated credit, plus interest and possible penalties.

Individual taxpayers considering purchasing clean energy credits under the IRA should consult a trusted tax professional for advice on whether they are eligible to purchase credits and claim the tax benefits. They should also understand how the limitations under the passive activity rules, and other portions of the tax code, may apply to their particular tax situation.

The IRS continues to warn taxpayers about other scams it continues to see that are misleading taxpayers into filing inappropriate claims for other tax credits. The IRS has warned taxpayers not to fall for scams centered around the Fuel Tax Credit, the Sick and Family Leave Credit, and household employment taxes. Fueled by misleading social media advice and promoters, the IRS has seen thousands of dubious claims come in earlier

this year where it appears taxpayers are claiming credits for which they are not eligible, leading to refunds being delayed and the need for taxpayers to show they have legitimate documentation to support these claims.

**Report fraud.** The IRS is committed to investigating paid tax return preparers who act improperly. To report an abusive tax scheme or a tax return preparer, people should use the online Form 14242, *Report Suspected Abusive Tax Promotions or Preparers*, or mail or fax a completed Form 14242 and any supporting material 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, California 92677-3405

Fax: 877-477-9135

Taxpayers and tax professionals can also submit this information to the IRS Whistleblower Office, where they may be eligible for a monetary award. For details, refer to abusive tax schemes and abusive tax return preparers on [IRS.gov](https://www.irs.gov).