Don't Get Tricked by Tax Credit Scammers

Tax scammers operate year-round, targeting everyone from individual filers to business owners. Their goal is simple: steal your identity, your money, or both. Here's what you need to know to stay protected.

Common Tax Credit Schemes:

The IRS annually publishes its "Dirty Dozen" list of the worst tax scams, which includes improper Employee Retention Credit claims, fake charities, phishing, and bogus tax avoidance strategies.One particularly aggressive scheme involves Offer in Compromise (OIC) mills — promoters who mislead taxpayers into believing their tax debt can be settled for "pennies on the dollar," charging excessive fees for something taxpayers can pursue directly with the IRS themselves.

Misuse of Fuel Tax Credits and Wage Credits:

Promoters of improper credit claims often fail to inform taxpayers of the consequences — for example, wage deductions on a business return must be reduced by the amount of any wage-based credit claimed. Falling for these schemes can result in penalties, back taxes, and potential fraud liability for the taxpayer, not just the promoter.

Know the Red Flags:

Watch for these warning signs across all scam types.

Unsolicited contact — The IRS will never initiate contact by phone, text, email, or social media to request personal or financial information. First contact is always by postal mail.

Pressure tactics — Scammers demand immediate payment via gift cards, prepaid debit cards, or wire transfers, and often spoof caller ID to appear as the IRS.

Unscrupulous preparers — Red flags include promises of unusually large refunds, fees based on refund size, or refusal to sign the return. A paid preparer must always sign and include their PTIN.

Phishing emails or texts — Scammers copy IRS letterhead and send bogus links. The IRS does not notify taxpayers of refunds or payments due via email or text, and never asks for PINs or passwords.

How to Report Tax Scams:

If you receive a suspicious IRS impersonation call, hang up immediately. If you believe you owe tax, call the IRS directly at 1-800-829-1040. Report phone scams to TIGTA at 1-800-366-4484 or www.tigta.gov, and to the FTC at www.ftc.gov — note "IRS Telephone Scam" in the comments.

Forward suspicious emails to phishing@irs.gov. For suspicious texts, screenshot the message and email it to the same address with the date, time, and phone number that received it. To report a fraudulent tax preparer, file a complaint at irs.gov/help/report-fraud/make-a-complaint-about-a-tax-return-preparer.

Consider getting an IRS Identity Protection PIN (IP PIN) to prevent someone from filing a fraudulent return using your Social Security Number. Learn more at IRS.gov/IPPIN.

This information is provided to you by Arrowhead Tax Service. We make every effort to provide honest and accurate tax information. Please use your discretion before making any decisions based on the information provided, every tax situation is different. If you have any questions, please visit our office or call us at 937-543-5770.