

How to Detect and Respond to Common Tax Season Scams

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It's tax season, and as if you don't have enough to worry about already, [tax scams are on the rise](#).

In one such scheme, people posing as representatives of the IRS contact taxpayers and demand payment for back taxes. Understandably scared of the repercussions, people often don't question the validity of the request. As a result, [thousands of people have lost millions](#) to these fraudsters.

Another scam we are seeing is [stolen tax refunds](#). A criminal will e-file someone else's taxes and steal their refund, oftentimes weeks or months before the victim even realizes.

It's important to know the warning signs of such schemes and to immediately take action if you've been victimized. With that in mind, [here are some things the IRS won't do](#) – if any of these happen to you, they should immediately raise a red flag that someone is trying to scam you.

First, the IRS won't call or email you asking for payment. If you receive an email claiming to be from the IRS, don't click on any links or open any attachments. The IRS will only use the postal system to establish contact. That being said, if taxpayers initiate an email to the IRS, someone can respond back to your email.

Also, the IRS will not threaten to send a deputy or law enforcement to arrest you. It can be scary to be faced with an arrest, but that will never happen even if you truly owe back taxes. The worst-case scenario is being served a warrant, which rarely occurs.

If you receive one of these calls, even if you ignore it or recognize it's a scam, you should give your financial advisor a heads up so we are aware there's a chance your return might be at risk.

That's the first scam. The second is a stolen tax refund.

[A lot of people don't file their taxes until close to the April deadline](#), and some even ask for extensions. The majority of stolen tax refunds are [filed soon after tax season begins](#) because scammers want to file before you do.

If you think someone has stolen your tax refund, there are several important actions you must take immediately.



First, contact Exencial Wealth Advisors as soon as you suspect you're a victim. It's critical you prioritize that step. At Exencial, we can help you contact the IRS and hopefully still file your tax return online. The IRS can give you a PIN number that allows you to do so, though it might be a hassle because you'll still have to call and verify your identity. If you wait to contact Exencial and the IRS, you must paper-file, which will complicate things and delay your refund.

If your ID is stolen and used to file a fraudulent return, your return will be flagged by the IRS for the next two years. It's a precaution the IRS takes to avoid a similar situation in the future. You'll need to use your PIN to e-file moving forward.

Also, if you think you are going to file for an extension, request one as soon as possible. A lot of times taxpayers will wait until the last minute, but it's better to give the IRS a head's up sooner rather than later. That way, if the IRS receives your return before the deadline, it will be flagged as suspicious because the IRS was not expecting to receive your return until after the April due date.

While tax scams are unpleasant, hopefully you will never have to encounter them, but if you do, now you're prepared and know the facts.

Sources:

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3. 7 things to do if your tax refund is stolen: <http://www.usatoday.com/story/money/personalfinance/2016/04/16/7-things-do-if-your-tax-refund-stolen/82938050/>
4. IRS warns taxpayers of numerous tax scams nationwide: <https://www.irs.gov/uac/irs-warns-taxpayers-of-numerous-tax-scams-nationwide-and-provides-summary-of-most-recent-schemes>
5. Everyone files their taxes at the last minute: <https://fivethirtyeight.com/features/everyone-files-their-taxes-at-the-last-minute/>
6. File taxes ASAP to avoid stolen refunds: <http://newsok.com/article/5535510>

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