

**GARTH BRUEN: TAX SCAM REPORT**





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Department of the Treasury—Internal Revenue Service

# U.S. Individual Income Tax Return

For the year Jan. 1–Dec. 31, 200 , or other tax year

Your first name and initial

United States Treasury



Month Day Year

03 23

7 8 0

Pay to  
the order of



## SUMMARY

- For ambitious and sophisticated criminals, organized crime in particular, it makes more sense to target the IRS directly as opposed to individuals. A recent report claimed the IRS paid out over five BILLION dollars in fake returns in 2011.
- Spam often has a target audience, but is not usually sent just to that audience. When criminals know exactly whom they are sending fake emails to, that would be spear-phishing - a much more targeted scam effort. However, there is a population who responds immediately for the instant gratification of even a minimal amount of money and the promise of not having to file a detailed return.
- Purchasing pirated software of any kind opens your computer up to various threats and possibly even sanctions from the software manufacturer.
- Tax Software is becoming obsolete, replaced by completely online services, which opens users up to new risks from criminals who can devise get-rich-quick schemes.

## TAX SCAMS: IT'S THAT TIME OF YEAR AGAIN

If you do not read this entire article, at least read the next sentence. Your tax return documents contain all the information an identity thief needs to become you all wrapped up in one neat package. Properly storing and disposing of your old tax returns is probably one of the most important things you can do all year. These documents contain your full name, Social Security number, address, employer, banking information, where your mortgage is held, and a hundred other tiny details your closest friends and family might not even know. If you were ever worried that the government is spying on you, well, they don't really have to because you send them all the information yourself. Just tossing your old tax returns into the trash or casually forgetting them on the bus is courting disaster. Keep them in a secure place for at least three years then shred them. Then burn the pieces, then mix the ashes with turpentine, then send the turpentine to the moon. Many people work on their taxes at the office, and your documents should be treated the same way as your wallet or purse: lock them up when you leave your desk. Because identity theft is exploding the IRS is dedicating more resources to the problem and releasing information for the taxpayer, see: <http://www.irs.gov/uac/Taxpayer-Guide-to-Identity-Theft> for an example. Remember, it's not just hackers, it can be anyone close to you.



## MONEY AND FEAR

Tax season has two overriding themes: money and fear. There is a massive exchange of funds between citizens and the government as well as to tax preparers. For ambitious and sophisticated criminals, organized crime in particular, it makes more sense to target the IRS directly as opposed to individuals. A recent report claimed the IRS paid out over five BILLION dollars in fake returns in 2011.

In terms of fear, there is a lot driving that. People are scared of how much they might have to pay in taxes, scared of being audited, and generally intimidated by the amount of paperwork required. It is easy to see how many victims would simply accept a strangers offer to be freed from these burdens and help them escape the IRS.<sup>1</sup>

## PHISHING

Speaking of the IRS, many of you have probably already received fake IRS emails. Important note: IRS emails do not exist. As we have presented before: "The IRS does not initiate contact with taxpayers by email."<sup>2</sup> Any

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<sup>1</sup> <http://www.foxbusiness.com/personal-finance/2013/03/22/cyber-evildoers-nab-billions-in-tax-returns/?intcmp=HPBucket>

<sup>2</sup> <http://www.irs.gov/uac/Report-Phishing>

emails claiming to be from the IRS should be sent to phishing@irs.gov. One of the shocking odd parts of fake IRS email is the amazingly small amount of money proffered in the phishing emails. I have two spam examples (both use the exact same wording and only differ in the claimed amounts and landing websites) one claimed I was owed \$63.80, the other \$92.50 and that I could receive it by clicking on the link. Is this enough money to get people to run to a strange website? When criminals know exactly who they are sending fake emails to, that would be spear-phishing, a much more targeted scam effort. However, there is a population who responds immediately for the instant gratification of even a minimal amount of money and the promise of not having to file a detailed return.

## PIRATED TAX SOFTWARE AND FAKE WEBSITES

There are three major tax software packages generally available, a niche software market which has become big business.<sup>3</sup> Of course, the pirated tax software industry will surly accompany the real. Purchasing pirated software of any kind opens your computer up to various threats and possibly even sanctions from the software manufacturer. Remember that a bundler of that software can insert malware for his/her own purposes. This is infinitely

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<sup>3</sup> [http://www.nytimes.com/2013/02/10/business/yourtaxes/reviewing-three-brands-of-tax-preparation-software.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2013/02/10/business/yourtaxes/reviewing-three-brands-of-tax-preparation-software.html?pagewanted=all&_r=0)



more concerning when the software in question requires all your personal information to be entered and possibly transmitted somewhere unknown..

Tax Software is becoming obsolete, replaced by completely online services. First, don't use a web-based tax service that was not initiated by you, like links from a spam message. If you want to use the Internet service to file your taxes, use one that is supported by a trusted authority. Your bank will often have recommendations.

It is also worthwhile to remember some of the basics of tax preparation that have been considerations long before the personal computer became commonplace, including:

**Avoid Sketchy Return Preparers:** Elderly and disabled people can get free assistance. If there are people in your life who fall into these categories, be proactive and ask them how they are doing their taxes. Start with your local municipality for a recommendation so the frequent targets of these scams can get proper help. The IRS also has a directory of authorized tax preparers in every community.<sup>4</sup> Always have a second person review your return to ensure a preparer is not trying to scam you. If your preparer informs you that you

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<sup>4</sup> <http://www.irs.gov/uac/Authorized-IRS-e-file-Providers-for-Individuals>

owe taxes to the government, they should give you a payment voucher to send to the government, you don't pay the preparer directly for this. Only make checks out to the "United States Treasury" or your state's revenue agency, never to "cash", a person, or other entity.

It is a good idea to try and work through your own tax return so you understand the process and your finances better. Even if you do your own taxes, have someone you trust review them. Some tax preparers have altered returns and diverted funds. Always get a copy of your signed return before it is filed to dispute any discrepancies that may show up later.

**Theft of returns:** Low-tech tax crime is the simple theft of your return check from the mail which occurs as well. The typical return takes 21 days from receipt by the IRS. You can check with them on the phone or online <sup>5</sup> to see the status of your return and when you should expect a check in the mail.

**Tax protesters:** There is a wide variety of alternative literature dedicated to these kinds of anti-tax arguments. This is not to say that there are not valid complaints about taxation, but pushing back against the IRS is unlikely to get you anywhere but in trouble.

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<sup>5</sup> <http://www.irs.gov/Refunds/Where%27s-My-Refund-It%27s-Quick,-Easy,-and-Secure>.

<sup>6</sup> [http://ssa-custhelp.ssa.gov/app/answers/detail/a\\_id/78/~//legal-requirements-to-provide-your-social-security-number](http://ssa-custhelp.ssa.gov/app/answers/detail/a_id/78/~//legal-requirements-to-provide-your-social-security-number)

<sup>7</sup> <http://www.irs.gov/uac/Pay-Taxes-by-Credit-or-Debit-Card>

**Protect Your Social Security Number:** Most tax-related identity theft victims do not know about the crime until they try to file their real tax return. Yes, filing two returns for one year will set off the IRS alarm bells. You can cut this off by filing as early as possible, which is generally recommended anyway. Beyond protecting your Social Security Number in tax season, protect it always. Many people ask for SSN numbers who are not entitled to them. SSNs are only truly required in taxable financial situations, for example: employment agreements, when opening a bank account or credit card.<sup>6</sup> Always question the need for someone requesting this number. If you do need to make a tax payment to the IRS online, use one of their sanctioned services.<sup>7</sup>

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<sup>7</sup> <http://www.irs.gov/uac/Pay-Taxes-by-Credit-or-Debit-Card>



U.S. Individual Income Tax Return

Last name and initial

Address (number and street). If you have a P.O. box, see instructions.

City or post office, state, and ZIP code. If you have a foreign address, also complete spaces for country name

- Status
- 1  Single
  - 2  Married filing jointly
  - 3  Married filing separately

Yes

No



digitalcitizens  
alliance 

[www.digitalcitizensalliance.org](http://www.digitalcitizensalliance.org)