

Dairy Keeper News & Information Notice 2009

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News & Information Notice Subject: Selection of a Tax Preparer

Return preparer fraud involves the preparation and filing of false income tax returns by preparers who claim inflated personal or business expenses, false deductions, unallowable credits or excessive exemptions on returns prepared for their clients. Preparers may, for example, manipulate income figures to fraudulently obtain tax credits, such as the Earned Income Tax Credit.

In some situations, the client, or taxpayer, may not know of the false expenses, deductions, exemptions and/or credits shown on his or her tax return.

However, when the IRS detects a fraudulent return, the taxpayer — not the return preparer — must pay the additional taxes and interest and may be subject to penalties.

The IRS Return Preparer Program focuses on enhancing compliance in the return-preparer community by investigating and referring criminal activity by return preparers to the Department of Justice for prosecution. The IRS can also assert appropriate civil penalties against unscrupulous return preparers.

While most preparers provide honest service to their clients, the IRS urges taxpayers to be careful when choosing a preparer — as careful as they would be choosing a doctor or lawyer. Even if someone else prepares a tax return, the taxpayer is ultimately responsible for all the information on the return. For that reason, taxpayers should never sign a blank tax form. And they should review the return before signing it and ask questions on entries they don't understand.

Helpful Hints When Choosing a Return Preparer

- Be cautious of tax preparers who claim they can obtain larger refunds than other preparers.
- Avoid preparers who base their fee on a percentage of the refund.
- Use a reputable tax professional who signs the tax return and provides a copy.
- Consider whether the individual or firm will be around to answer questions about the preparation of the tax return months, or even years, after the return has been filed.
- Check the person's credentials. Only attorneys, certified public accountants (CPAs) and enrolled agents can represent taxpayers before the IRS in all matters, including audits,

collection and appeals. Other return preparers may only represent taxpayers for audits of returns they actually prepared.

- Find out if the preparer is affiliated with a professional organization that provides its members with continuing education and resources and holds them to a code of ethics.
- Ask friends and family whether they know anyone who has used the tax professional and whether they were satisfied with the service they received.

Reputable preparers will ask to see receipts and will ask multiple questions to determine whether expenses, deductions and other items qualify. By doing so, they are trying to help their clients avoid penalties, interest or additional taxes that could result from an IRS examination.

Resource: U.S. Treasury Department, Internal Revenue Service.