



# The Scammed Taxpayer: What Can We Do as Professionals?

By Angelene Wierzbic, EA, CTRS  
&  
Mitchell Piper

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## What are common types of scams?

- IRS Impersonation Scams
- Phishing Scams
- Refund Scams
- Tech Support Scams
- Personal Data Breaches
- Romance Scams
- Investment Scams
- Tax-Related Identity Theft



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# These are not your fathers Nigerian Prince Scams

- These are very elaborate
- Can last days, weeks, months, or even years
- Anyone can fall for these



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## Example of a Refund Scam

1. The scammer contacts the victim, usually via phone
2. The scammer informs the victim that there has been an unauthorized purchase on their account.
3. When the victim denies making the purchase, the scammer offers to help process a refund.
4. The scammer may ask the victim to download remote access software (e.g., TeamViewer, AnyDesk) to their computer. They claim this is necessary to secure the account or process the refund more efficiently.
5. They ask the victim to log into their bank account to verify the refund has been processed
6. The scammer can manipulate the victim's online banking account. They might transfer funds between accounts to make it appear as if a refund was processed.
7. The scammer will claim that they accidentally refunded too much money and ask the victim to return the excess amount. They request the victim to send the overpayment via wire transfer, gift cards, or another untraceable method. **Sometimes they'll even say they can keep a little of it.**
8. The scammer collects the money sent by the victim.
9. The scammer doesn't go away. Once they find a victim they will keep working them.

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# This is an industry

People literally go to work every day to work their leads



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# Listen for yourself



Asking IRS Scammer Easy Tax Questions  
Kitboga • 1.4M views • 5 years ago  
Maybe this is to be expected, but when I started asking this IRS sc nothing about how taxes work in the United States. Watch me call



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## Once Upon a Time...

In the small town of Taxville lived a newly widowed woman named Welthea Tupour. She inherited money from her previous husband's long line of prosperous family members. After her husband's death, she found little happiness from the opulent lifestyle the two previously lived. With no real family to leave her estate to, she tried to put the money to good use instead.



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## Ms. Welthea Tupour

She gave what she could back to the local community. She never overlooked the needs of others and was the first to donate to whatever causes arose. Her kind acts and generosity were known throughout and made her one of the most respected women in Taxville. However, between large donations to build a new hospital, school and senior center, she whittled away most of her fortune.



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## The Perpetrator

Somewhere in a darkened warehouse, a shady conman was in search of his next list of victims. In the furthest office of this poorly lit building sat one of the best computer hackers in Hustletown. This hacker could get anything you wanted for the right price. His only stipulations were you never told him why you wanted the information, and you kept the hacker's identity and location a secret.



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## One Summer Day...

Welthea was sitting on her porch enjoying her cup of afternoon tea in the warm sunshine when she heard the ringing of her phone. She rose from her rocker with a slight groan and an "Oof, I am feeling a bit old this afternoon."

She proceeded into the house to answer, hoping it was her weekly call from her longtime friend who lived out of state.



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## The Call

Welthea picked up her phone and answered with a chipper, "Good Afternoon".

Her hopes for a call with her friend were soon destroyed when a raspy voice on the other end stated "This is Agent Swindell De Riche of the IRS. My badge number is 100034456. I am calling you about an urgent IRS matter." With the word IRS, all Welthea's greatest fears started to run through her mind.



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## The Crook...

Moments before in a town across the country, a conman opened an envelope he got from the hacker. It was a list of names and numbers. While the phone started to dial, he snickered, "Welthea Tupour, my first victim of the day. She's loaded with cash and hopefully willing to share haha!". After a few rings he heard a voice on the other end. In his gruffest voice he replied, "This is Agent Swindell De Riche of the IRS." Trying to sound as official as possible.

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## The Con

He heard her breathing shake a bit on the other end of the line. He thought to himself, *This one is scared witless. Based on the information that my hacker got, this lady has a big fat investment account she inherited, and it has my name on it now.* He continued his call, "I can see on your file here that you recently finalized an estate for your late husband, Mr. Rich Tupour. There were some assets which were not included on the estate taxes."

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## The Victim

She finally composed herself enough to reply "I believe everything to be all settled. What taxes are you referring to?"

He quickly retorted, "The \$1.2 million in investments. I'm sure you are aware we know what you got." Welthea paused to think. *Had they been forgotten?* The conman took her silence to be confirmation that she still had the money. He was going to make it his at all costs.

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## The Demand

Welthea tried to steady her breathing at Agent De Riche's demand for \$1.2 million. Tons of thoughts started to race through her mind. *His estate was supposed to be closed. The tax preparer said she finished the estate stuff and sent it in. What is going on!? Oh, golly, I donated a lot of that investment money to charity. It helped build the hospital and update the school. It seems IRS just wants money and this man will go away without taking my home or putting me in jail if he gets it.*

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## The Threat

"Oh no" she replied not sure what to do. The conman quickly retorted "Either give us the \$1.2 million in funds or we will put a levy on your house at 725 Upper Class Drive. I'm sure you are aware what we can do at the IRS. I could throw you in jail if I wanted for fraud. Look at Wesley Snipes!" He sat back and listened. After scamming many, that line naturally rolled off his tongue. "Mentioning jail always brings home the money" he mumbled under his breath stifling a laugh.

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## Getting Upset

The Conman waited for her to speak. "It will take me some time to get your money" Welthea finally responded.

He erupted "Time, TIME! What makes you think you have TIME! You are on IRS's time now Ma'am, and we don't take these large debts lightly. I will call you tomorrow with instructions on how to get the money to us. If we do not receive it within a week, your fortune, your home, and your freedom are all ours."

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## What to Do

Before Welthea could respond, the phone abruptly hung up. *Oh dear!* she thought, *I better get everything arranged quickly. First, I will telephone Mrs. Tacks-Solver who filed my husband's estate returns.* The phone rang once and started to beep rapidly followed by a robotic voice that the number was out of service. Welthea tried to find another number, but she soon found out Mrs. Tacks-Solver's office only operated seasonally.



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## Gathering Funds

"Well, I have no way to ask. So, I guess I should work on getting together the money the IRS is demanding," she spoke aloud. "I will have to call my broker to clear out my investment account and probably half of my retirement will have to go as well." The phone rang at her broker's office. The broker, Marge Inrayde verified Welthea only had \$475,000 left in the investment account the IRS wanted. Welthea requested to withdraw \$1 million from her retirement with 20% taxes withheld to makeup the shortfall.



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## Waiting for the Call

The next, day as threatened, the conman picked up the phone to make follow up calls to his victims. Once again Welthea Tupour was on the top of the list. He thought, *This sucker is going to be an easy victim.* Once again, Wealthea picked up the phone as it rang.

“Swindell De Riche of the IRS again. I am calling with your instructions for payment. IRS has a new policy that amounts over \$1 million have different payment protocols. They must be made through a digital currency transfer.”



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## The Instructions

Welthea confused, responded. “What do you mean Digital Currency?”.

The conman quickly retorted, “Through Botcoin specifically. We will set up a special account for your transfer. Do you have a broker or a child who can help you with the technology?”

“My broker should be able to help me.” she responded.

“Ok the account number is...” and continued with a long string of numbers and letters that Welthea wrote down.



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## The Broker

Welthea did not want to alarm her broker of the IRS problem, but she needed to make the requested payment. She called Marge Intraday to transfer the funds. The amounts she sent came from the liquidation of her stocks and the withdrawal from her retirement. She had them transferred to the Botcoin wallet that the fraudulent agent provided. Puzzled by the use of digital currency by Welthea, Marge asked her "That large Botcoin transfer doesn't seem like you. Am I hearing you correctly?" Welthea embarrassed of her IRS situation replied, "It's for a new charity project."

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## The Payment

Realizing Welthea often did a lot with local charities, Marge replied "Ok. I sent it over for you. I'll mail you out updated brokerage and retirement statements and the Botcoin confirmation."

"Perfect." replied a relieved Welthea. *I can finally get some rest now that this IRS mess is behind me*, she thought.

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## The Taxes

Early next spring, Welthea gathered her tax paperwork and took it to meet with her preparer Mrs. Tacks-Solver. When reviewing the documents, Mrs. Tacks-Solver inquired the reason for the large retirement distribution. This prompted Welthea to explain the whole IRS situation. Mrs. Tacks-Solver checked the IRS website and verified the IRS does not use Bitcoin as a payment method and discovered that is a scam being used by criminals to dupe taxpayers.

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## The Truth

Mrs. Tacks-Solver regretfully explained the situation to Welthea, "It looks like you are the victim of a cruel scammer. The IRS does not take Bitcoin as payment. Do you have any evidence or proof of the payment? I can see what I can do. In the meantime, you unfortunately did not have enough withheld on your retirement so you owe the IRS. I picked up the stepped-up basis on the stock sales so there was not much gain, but that large retirement distribution really hurt you this year."

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## The Balance

Bracing herself, Welthea replied, "How much trouble am I in?"

"Well, you owe the IRS \$250,000. The withdrawals and the other income sources you had last year left you in the highest bracket," stated Mrs. Tacks-Solver. "I'm going to do some research about what can be done about being a victim of that IRS scam. Maybe there is a way out of the tax on that income."



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## The Sad Reality...

- Everyday, taxpayers fall victim to IRS scams like Welthea
- Scammers are savvy, as technology improves they take advantage.
  - They call, text, email, or contact taxpayers over social media



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## The Sad Reality...

These contacts often include threats which cause the victim to have to respond or face consequences

- Threats of incarceration
- Threats of homelessness
- Taking bank accounts or wages
- Passport suspension
- Deportation
- Public humiliation



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## The Sad Reality...

Scammers even target tax professionals. Make it a practice to help protect your information...

- Monitor your Central Authorization File (CAF) number by linking it to your IRS TaxPro account and watching your 8821/2848 taxpayer authorizations



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## What We Can Do as Professionals...

- Monitor the IRS website or sign up for IRS emails to get notifications of these “Dirty Dozen” activities. Signups let us be aware of any new warnings as new scams
  - <https://www.irs.gov/newsroom/dirty-dozen>
- Keep our clients aware of published schemes
- Educate and be there to assist our clients when things happen



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## What We Can Do as Professionals...

- Make clients aware of how IRS does make contact
  - Letters
  - Scheduled phone contacts
- Monitor for changes in IRS handling of collection cases
  - Revenue Officer new contact by letter and generally not face to face



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## Fraudulent Acts Are Hard to Trace

- Can report to local police
- Contact Treasury Inspector General for Tax Administration (TIGTA) to report the scam
  - <https://www.tigta.gov/irs-scam-resources>
  - <https://www.tigta.gov/reportcrime-misconduct>



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## How the System Works in Most Cases

- Victims reports the ordeal to the authorities
- Victims deal with the tax implications of the theft or fraud
- When the perpetrator is caught, and criminally tried court will order them to pay restitution to the victims to make them whole for theft or fraud plus taxes



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## Chances of Prosecution

Not many of these scammers get caught

- Use fake personas which make them hard to trace
- No real businesses or anything to tie them to
- Sometimes not even in the US
- Struggle for law enforcement to trace them down
- Victims rarely get restitution to make them whole



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## Any Relief on Tax Returns?

- Only if the theft loss was business related or related to a Ponzi Schemes
- Prior to Tax Cuts and Jobs Act (TCJA of 2017) theft loss allowed
- **Since TCJA only Casualty and Theft loss allowed only relating to federally declared disaster**



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## What Can We Do As Practitioners?

- **Congress created the TCJA removed personal theft loss which was allowed in the past**
- To reverse this, congress would have to add theft loss back into the tax code
- We may try to advocate for victims of theft losses by contacting congress members where the taxpayer is a constituent (resides) for help, or to look at measures to make the system more equitable for future victims



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## Some Retirement Theft May Not be Taxpayer Income

Roberts V. Commissioner (141 TC 19)(2013)

- Wife requested IRA withdrawals from Husband's solely held account prior to divorce
- She forged his name on the request to withdrawal
- forged his name on the check
- Deposited them into her account
- Used the money to set up a new household for herself, a vacation, and retail purchases for herself

Tax Court determined:

Husband was not a "payee" or "distribute" within the meaning of IRC 408(d)(1)



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## After the Fact...

- Victims forced to deal with the consequences
  - Often times collection case issues arise
- IRS does not provide relief for fake IRS agent scams
  - Ponzi schemes have a safe harbor for losses
  - Disaster area losses allowed



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## Collection Issues...

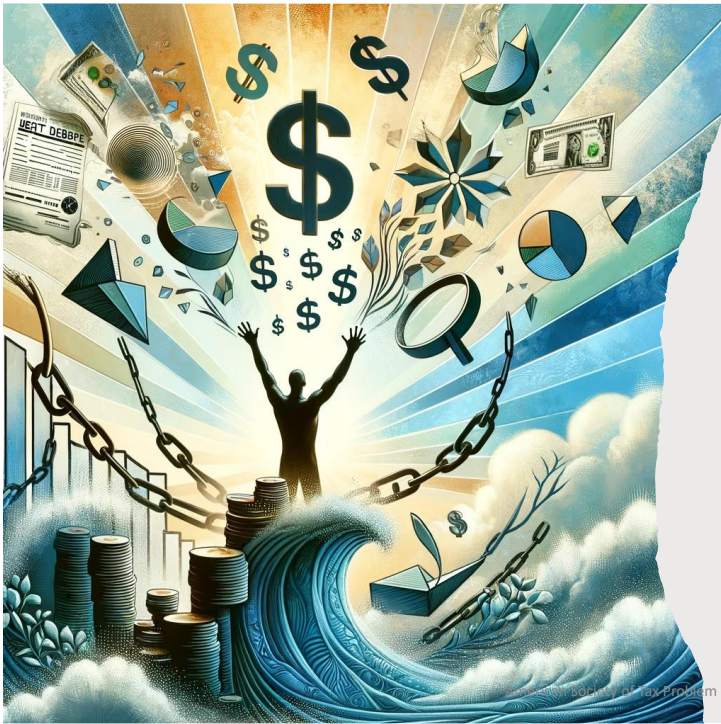
Programs available for relief depend upon the taxpayer's finances just like any other tax debts

- Full Payment
- Installment Agreement (IA)
  - Payment Plan with the IRS which full pays what is owed over time

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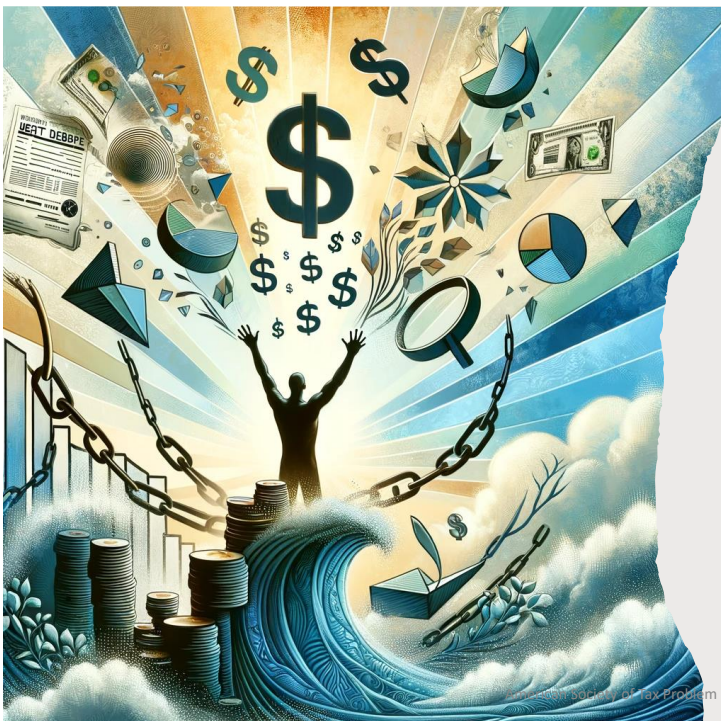




## Collection Issues...

- Partial Pay Installment Agreement (PPIA)
  - Payment Plan where taxpayers pay what they can afford but cannot full pay the IRS before their time to collect runs out
- Currently Non-Collectible (CNC)
  - Taxpayer cannot afford to pay anything
  - Place IRS enforced collections on hold

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## Collection Issues...

### Penalty Abatements

- First Time Abatement (FTA)
  - If taxpayer did not have any penalties for three prior tax years they may qualify
- Reasonable Cause Abatement
  - If there was some situation which the taxpayer had no control over, but they attempted to follow ordinary business care and prudence in their actions but somehow still could not comply they may qualify for relief

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## Collection Issues...

- Offers in Compromise
  - Settlement plans with the IRS
  - Doubt as to Collectibility – Taxpayer owes but cannot full pay in the foreseeable future
  - Doubt as to Liability – The taxpayer does not owe what the IRS claims they owe

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## Collection Issues...

- Potential New Relief...
  - 2024 New Offer in Compromise form 656
  - Effective Tax Administration (ETA) Offer in Compromise
  - Possible relief based on **Public Policy or Equity**
  - Example on 656: A payroll tax provider misappropriated taxes withheld from my employees

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## The Resolution

Even though there was no way to fight the debt from the fact she was ripped off by a crook, Welthea was able to get assistance from a Certified Public Accountant who was able to get her a reduction in her liability by requesting a First Time Penalty Abatement.

After being scammed, she has spread the word. Recently she even helped some of the elderly in her community when they started to receive calls from the conman too.



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## The Opportunist

With some of the funds he robbed from Welthea, the conman went back to the hacker to get his next list of victims.

**What will you do if it has your client on it?**



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# What Can We Do As Practitioners?

Learn about the newest scams

Educate our clients before they happen

Advise them if scammers contact them

Develop resolutions for victims