Tax Prep Service Scams Rank High on Taxpayers' List of Concerns This Filing Season

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LifeLock experts advise how to keep your identity and refund safe while hiring pros to do your taxes

TEMPE, Ariz. and PRAGUE, March 14, 2024 /PRNewswire/ -- As the annual ritual of tax season rolls on, an alarming number of Americans looking for help filing their returns are raising red flags around tax prep service scams. According to a recent consumer survey from LifeLock, a leading identity protection brand of Gen™ (NASDAQ: GEN), sixty-one percent of Americans worry they might be targeted by common tax scams, which could result in identity theft, financial loss and could even land them in hot water with the IRS. They have reason to be concerned, as tax scams cost American taxpayers $5.7B in 2022.

Scam artists trick taxpayers by advertising and promoting themselves as legit tax preparation service providers through emails, social media ads and text messages. Their goal is to steal sensitive personal and financial information. With more than half of Americans opting to outsource tax prep and another 40 percent using software to self-file, it's important to know how to recognize if the service is legit.

"Criminals know most people are confused and overwhelmed by the tax filing process and would rather leave it to a pro to make sure they get the biggest refund or smallest penalty," said Ian Bednowitz, General Manager of Identity for LifeLock. "There is a perception that hiring a tax pro or using a software service can be expensive. So, people shop around for alternative solutions, which can ultimately cost them a lot more if they stumble onto a fake site or hand over their tax forms to a fraudster."

Ghost Preparation Service Scams

According to the IRS, 80 million people filed returns prepared by a CPA. But not everyone offering tax advice or prep services can be trusted. Anyone paid to prepare another person's taxes must have a Preparer Tax Identification Number (PTIN) and are required to sign the completed returns. Refusing to sign a return is a huge red flag that the person doing the taxes is trying to "ghost" people and walk away with their fees, your refund or even your identity.

These criminals tend to lure people in with the promise of a large refund and have fees that are based on a percentage of the estimated refund payable by cash only. They often encourage clients to take shortcuts to maximize their refunds or have them sign incomplete returns, which they promise to fill out later. They then refuse to provide victims with copies of their returns and disappear with no way to find the ghost who tricked them.

Experts at LifeLock urge everyone to check the tax preparer's qualifications using the IRS directory to find tax pros with credentials recognized by the IRS. Always review all returns before submitting and never sign a blank form.

Fake Tax Prep Websites

Scammers target people with malicious links to fake sites and malware through social ads, emails and text messages that impersonate the IRS and popular online tax prep software companies like TurboTax and H&R Block. Their goal is to trick people into clicking these links to sign into what looks like their accounts to resolve return issues or start new services. Scammers then use malware to record login credentials and access the information attached to profiles and tax forms and steal your identity.

Experts advise to always look at the content of emails and the sender's address carefully for anything suspicious like misspelled words, threatening or urgent language or URLs that display "http" instead of "https". Never click on any links if you suspect something phishy. Instead delete the message and block the sender. Norton Genie is an AI-powered scam detection app that can help people analyze suspicious emails and texts and provide advice.

Scams Against Tax Pros

The IRS has warned legitimate tax professionals, accountants and agents to be on the lookout for phishing attacks targeting their businesses that might trick them into clicking malicious links and gaining access to the tax preparer's computer systems and databases.

These scammers generally use emails impersonating potential new clients, filing platforms or even the IRS to embed links or malicious attachments loaded with malware. Attacks are often designed to collect customer data and steal the tax preparer's identity, making it possible for them to file fraudulent returns using their name and credentials.

Experts advise tax pros to make cybersecurity a priority throughout the year, not just during tax season. Never click on suspicious links or open attachments from addresses you do not know. Report phishing attempts to the IRS by forwarding it to phishing@irs.gov. Solutions like Norton Small Business can arm independent firms with tools to identify and fend off cyberattacks.

What to Do if You Become a Victim

- Immediately report identity theft tax-related activity to the IRS using IRS Identity Theft Affidavit (Form 14029) that provides all the necessary details for the IRS to open an investigation.
- Be sure to monitor your bank accounts and credit card for unusual activity and fraudulent transactions.
- For additional tax season safeguards, identity theft protection services from LifeLock add professional support to help victims of identity theft navigate complicated IRS and credit bureau actions designed to restore taxpayers' lives, identities, and financial loss.

About LifeLock
LifeLock is a leader in identity theft protection in the U.S., and a brand of Gen™ (NASDAQ: GEN), a global company dedicated to powering Digital Freedom through its family of trusted consumer brands. Millions of customers trust LifeLock to help protect their identities. LifeLock detects and alerts people to possible identity threats, and its dedicated Identity Restoration Specialists help people restore their identity if they do become a victim. All LifeLock members also have coverage through LifeLock's Million Dollar Protection™ Package which provides additional coverage for stolen funds and lawyer and expert support. Learn more at LifeLock.Norton.com and GenDigital.com.

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