

TAX NEWS



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TAX CLIENT NEWSLETTER

Early News that I feel is important for everyone. There are so many schemes out attempting to steal your identity and some changes to the energy credits that I want to rush this information out prior to my Fall Newsletter. There will be a number of tax increases coming, but not until 2010, just a FYI.

IRS WARNS OF NEW IDENTIFY THEFT SCAMS THAT APPEAR TO COME FROM GOVERNMENT AGENCIES

The IRS has released a list of identify theft scams that attempt to use the IRS name, logo, or website links to obtain personal and financial information from taxpayers such as credit card numbers, bank account numbers, account passwords, and Social Security numbers. Here's a description of some of the latest schemes:

Making Work Pay Refund

This scam involves sending e-mails to Reinvest taxpayers which claim to come from the IRS offering a refundable credit to workers, consumers and retirees that can be paid into the recipient's bank account if the recipient registers their account information with the IRS. The e-mail contains links to register the account and to claim the tax refund. Note that the Making Work Pay tax credit

generally is effectuated through decreased tax withholding rather than by a tax credit.

Inherited Funds/Lottery Winnings/Cash Consignment

In this scheme, recipients receive one-mail claiming to come from the Treasury Department notifying them that they will receive millions of dollars in recovered funds, lottery winnings or cash consignments if they provide personal information, including phone numbers, via return e-mail. Sometimes the victim is later contacted by telephone and instructed to deposit taxes on the funds or winnings before they can receive the proceeds. Alternatively, they may be sent a phony check for the funds or winnings and are told to deposit it but pay 10 percent in taxes or fees. The checks are bad, and the scammers, not the Treasury Department, will get the taxes or fees.

Form W-8BEN

In this scam, fraudsters modify a genuine IRS form, the W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding, to request detailed personal and financial information. This could include nationality, passport number, bank account and PIN numbers, spouse's name and mother's maiden name,

or other personal or financial information or security codes for financial accounts. They either e-mail or fax the form or letter. The letters state that the taxpayer will owe additional taxes unless he or she quickly faxes the required information to the number provided by the scammer. In reality, when this form is legitimately required, taxpayers file the genuine Form W-8BEN with their financial institutions, not with the IRS. Additionally, the genuine W-8BEN does not request the taxpayer's passport number, bank account number, security or similar information.

Refund Scam

A common scam involves a purported e-mail from the IRS that tells the taxpayer he or she is eligible to receive a tax refund for a given amount. It instructs the recipient to click on a link contained in the e-mail to access and complete a form for the tax refund. The form requires the entry of personal and financial information. Several recent variations on this scam have claimed to come from the Exempt Organizations division. Some others include the name and purported signature of an IRS executive.

What to Do

The IRS does not contact taxpayers by unsolicited e-mails and does not ask for personal or financial information through e-mail. If you or your clients receive a suspicious e-mail claiming to come from the IRS, forward the suspicious e-mail or URL address to the IRS mailbox phishing@irs.gov.

Genuine IRS Website: The only genuine IRS website is www.irs.gov. Anyone wishing to access the IRS website should type in the entire web address rather than ever clicking on a link in an e-mail.

Energy-Efficient Home Improvements

The Recovery Act also increases the credit to 30 percent of the cost of all qualifying improvements for homeowners who make energy-efficient improvements to existing homes. Qualifying improvements include the addition of insulation, energy-efficient exterior windows and energy-efficient heating and air conditioning systems. The maximum credit is \$1,500 for improvements made in 2009 and 2010.

Tax Credit for First Four Years of College

The American Opportunity Credit is allowed for the cost of the first four years of college. The new credit modifies the existing Hope credit for tax years 2009 and 2010, making it refundable and available to more taxpayers, including those with higher incomes. Tuition, related fees, books and other required course materials all qualify. The maximum annual credit is \$2,500 per student.

Again, I thank you for your business and trust. Fall is here and congress is back at work, which means tax implications. I will continue to monitor the things that affect you. If you have any questions regarding things that you hear and need clarification please do not hesitate to call. Enjoy the Indian Summer.

Best regards,

