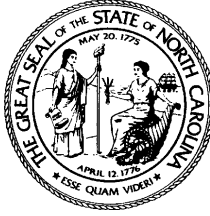


Beverly Eaves Perdue
Governor



Kenneth R. Lay
Secretary

North Carolina Department of Revenue

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Avoiding Fraudulent Tax Preparers

Selecting The Wrong Preparer Could Lead To Higher Tax Bills

North Carolina taxpayers have been billed for millions of dollars in state taxes over the last few years, thanks to deliberate errors made on their returns by fraudulent tax preparers. The errors include inflated personal or business expenses, false deductions, excessive credits and exemptions and fictitious business losses. The results include more than \$14 million in tax assessments for taxpayers during the last three years and jail time for a number of fraudulent tax preparers.

“The vast majority of tax preparers in our state provide a fair service for their clients and prepare their tax returns accurately,” said Kenneth R. Lay, secretary of revenue. “However, there are some preparers who deliberately cheat on returns to decrease tax bills or generate larger refunds for their clients. We want people to understand how to spot such preparers so they won’t be hit with large tax bills that include penalties and interest.”

Selecting a reputable tax preparer is very important because taxpayers are responsible for the information contained on their returns. If the state identifies a fraudulent tax return, the taxpayer – not the preparer – is responsible for all tax, penalties and interest due. The North Carolina Department of Revenue identifies a number of unscrupulous tax return preparers each year during filing season. Taxpayers who are going to hire a tax preparer should beware of the following:

- Preparers who claim they can obtain larger refunds than other preparers.
- Preparers who ask you to sign a blank tax return.
- Preparers who charge higher fees or who base their fees on a percentage of a taxpayer’s refund.
- Preparers who are reluctant to provide references.

There are other signs of potential fraud to watch for after you have selected a tax preparer. Those things include:

- Federal and state refunds that are significantly larger than in past years.

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- Inflated itemized deductions listed on Schedule A of the federal tax return, including medical expenses, contributions, mortgage interest, and unreimbursed employee expenses such as education, uniforms and tools, and mileage.
- Improper losses from the operation of a business claimed on Schedule C of the federal return.
- Returns filed without the paid preparer's signature and tax identification number.

You should thoroughly review your completed return with your preparer before you file. If you do not understand information on the return or if you see information that is not correct, you should question the preparer to satisfy your concerns. If you are not satisfied with the response, or if you believe your return was not properly prepared, contact the Department of Revenue at 1-800-232-4939.

Fraudulent Returns Prompt Millions In Tax Assessments

During the past three years, the N.C. Department of Revenue has reviewed returns for 6,265 taxpayers who filed returns prepared by fraudulent tax preparers. As a result of those reviews, the taxpayers received bills for a total of \$14,924,305 in unpaid state taxes.

Year	Taxpayers	Assessments
2006	988	\$2,370,666
2007	3,295	\$7,384,000
2008	<u>1,982</u>	<u>\$5,169,639</u>
Total	6,265	\$14,924,305

Falsifying Tax Returns Sends Preparers To Jail

Tax fraud is a felony punishable by fines and prison time. Over the last few years, North Carolina has sent a number of preparers to jail:

Nathan Herbert Miller, Fuquay-Varina, N.C., owner and operator of Herbert Miller Tax Service in Garner, was sentenced to a 13-month minimum, 16-month maximum prison term for 29 felony counts of aiding or assisting in the preparation of fraudulent North Carolina individual income tax returns.

Hilda Adams Barnes, Clayton, N.C., was sentenced to a 30-month minimum, 36-month maximum prison term for 34 counts of aiding or assisting in the preparation of fraudulent income tax returns and two counts of attempting to evade or defeat the state's individual income tax. As part of her sentence, Barnes was also ordered not to prepare or file tax returns for others.

Steven E. Henson, Jr., Clover, S.C., was sentenced to an eight-month minimum, 10-month maximum prison term for nine counts of aiding or assisting in the preparation of fraudulent North Carolina individual income tax returns and seven counts of attempting to obtain property by false pretenses. In addition, he was ordered to pay restitution of \$39,513.84 to the N.C. Department of Revenue.

Rhonda M. Jackson, East Bend, N.C., was sentenced to two consecutive nine-month minimum, 11-month maximum prison terms for 14 counts of obtaining property by false pretenses and 12 counts of aiding or assisting in the preparation of a fraudulent return. She was also ordered to pay restitution of \$3,514.