

PERVASIVE FRAUD

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The U.S. Government is alleging **“pervasive fraud”** in the operation of many Jackson Hewitt Tax Service sites in the states of Georgia, Illinois, Michigan and North Carolina and is trying to shut them down. According to the *Wall Street Journal*, the government’s charges contained in lawsuits that were filed in federal district courts could end up sparking the interest of Congress and result in expanding regulation of paid tax preparers.

The Justice Department filed civil injunction suits against five corporations that operate Jackson Hewitt franchises and 24 people who manage or work there. The corporations, according to the *Wall Street Journal*, allegedly operated more than 125 Jackson Hewitt stores. According to the suit, the defendants **“create and foster a business environment”** at the franchises in which **“fraudulent tax return preparation is encouraged and flourishes.”**

The lawsuits allege a tremendous range of fraud, such as filing returns claiming refunds based on phony wage forms; using fabricated businesses and business expenses on returns to claim bogus deductions; and fraud related to the earned income tax credit.

We have discussed our concerns about the lack of quality in the work of tax preparers in several prior columns and on the radio show. Last year a congressional investigative agency discovered not only errors but cheating by workers at several major tax-preparation firms. According to the *Wall Street Journal* some lawmakers want to require paid tax-preparers to meet basic training and competency standards. I find it amazing that when I go in to get my \$10 haircut the individual cutting my hair displays a license from the state (I wonder what license the guy has who gives John Edwards his \$400 haircuts has. Must have gotten his or her credentials at Princeton).

Recently I was listening to the Neal Boortz radio show, one of my favorites. He was discussing the topic of how states are forcing interior decorators to become licensed. Never underestimate the **“Blob”** like powers of the federal government in their ability to expand and collect more taxes. The Blob/government cannot decipher its own tax code, now they want to license who can provide advice on it.

Like everything else in life and a requirement for living in a free society, personal responsibility needs to come into play when hiring either a tax advisor or financial advisor. Walking into a tax preparation office in a strip mall does not qualify as due diligence. I don’t care how cute their commercials are. You need to interview the advisor and find out for yourself whether he or she is qualified.

This past year the IRS warned taxpayers to be careful when hiring someone to prepare their return. Before you hire someone, look into that person’s credentials including educational background and whether they have had any specialized tax training. Beware of anyone who promises to get a bigger refund for you than anyone else. Avoid those who say their tax-preparation fee will be a percentage of the amount of the refund. Also, beware of a preparer who won’t sign your return.