

Alabama Department of Revenue

News Release
Feb. 27, 2012

State Revenue Department Identifies over \$3 Million in Potential Fraudulent Tax Refunds

Montgomery, Feb. 27, 2012—State Revenue Commissioner Julie P. Magee announced today that so far this filing season, the Alabama Department of Revenue (ADOR) has identified and prevented the payment of more than \$3 million in questionable Alabama income tax refunds, representing 10,900 Alabama individual income tax returns.

“The ADOR has more advanced, efficient systems in place now to detect tax fraud than in years past and persons considering filing or preparing fraudulent returns should think twice,” said Commissioner Magee.

“The returns we have identified and are concerned with include those with intentionally false and fraudulent information, patterns of excessive and unsubstantiated casualty losses, deductions, etc.,” explained Commissioner Magee. “We now have in place methods that allow us to quickly and efficiently examine returns for such questionable or fraudulent information before the return is processed. If a return is identified as being questionable, it is then audited and the refund can be delayed pending investigation,” explained Commissioner Magee.

Each year during the tax filing season, Alabamians hear repeated warnings of identity theft or fraudulent return activity. Magee says that while most tax return preparers provide honest service to their clients, there are some who take advantage of unsuspecting taxpayers.

“Such preparers derive financial gain by skimming a portion of their clients’ refunds, charging inflated fees for return preparation services, or attracting new clients by promising refunds that are too good to be true,” explained Magee.

Magee encourages taxpayers to choose carefully when hiring a tax preparer, and reminds taxpayers that even if they do not prepare their own tax returns, they are ultimately responsible for the information shown on their returns.

Alabama's tax laws provide penalties and fines for both the unscrupulous tax preparer and the taxpayer who participates in such activity. Anyone who willfully assists or advises in the preparation of a fraudulent return can face felony charges, and if convicted, may be fined up to \$100,000 per charge and face imprisonment up to three years. In addition, fraud, negligence, or frivolous return penalties may be assessed against the taxpayer and range from 50 percent of the underreported amount of tax due to a flat \$250 penalty.

"The bottom line is—filing a fraudulent return is not worth whatever gain that may be promised. Sooner or later, the fraud will be discovered," said Magee.

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