



NEW YORK STATE SENATOR

Joseph P. Addabbo Jr.

## Addabbo Warns Taxpayers: Check Credentials of Your Tax Preparer

JOSEPH P. ADDABBO JR February 15, 2011

| ISSUE: **TAXES, INCOME TAX**

### *Tax Credit Fraud Investigation by Dept. of Taxation & Finance Saves the State Millions*

Queens, NY, February 14, 2011 – During another tax filing season, when most people are stressed enough to get their returns completed accurately and filed by deadline, State Senator Joseph P. Addabbo, Jr.(D-Queens), issued a warning to taxpayers about a scheme involving a growing number of tax preparers filing claims for the Special Additional Mortgage Recording Tax Credit on behalf of taxpayers who are not entitled to the credit.

According to New York State Department of Taxation and Finance Acting Commissioner Jamie Woodward, the Department, through its audit processes, has disallowed more than 3,600 claims for this tax credit, which has resulted in \$18.5 million in savings to New York State. The Department has an ongoing criminal investigation regarding the alleged fraud.

“Claims of fraudulent credits are growing significantly,” noted Senator Addabbo. He added, “This case and others the Department has investigated highlight the need for taxpayers to perform their due diligence when choosing a preparer and to review their returns for accuracy.”

The investigation concerns taxpayers who have claimed this credit for residential properties using Form IT-256, “Claim for Special Additional Mortgage Recording Tax Credit.” In general, very few taxpayers are legitimately entitled to this credit, which mostly involves large commercial properties. Typically, the personal income tax claims come from partners in a real estate investment partnership.

The scheme generally involves reporting all costs associated with a residential property closing as Special Additional Mortgage Recording Tax. Unscrupulous preparers are reportedly charging fees in the range of 25-40 percent of the credit.

Acting Commissioner Woodward advises taxpayers that caution should be exercised when choosing a preparer and additionally, they should be especially wary of refund scams or fraud when using a preparer for their tax returns.

The taxpayer is the responsible party when the Department disallows fraudulently claimed credits or deductions. The taxpayer is responsible not only for the actual tax obligation, but may face additional interest, penalties and possible criminal

sanctions associated with fraudulent activity.

The Tax Department has published a Consumer Bill of Rights brochure, which provides helpful information on choosing a tax

preparer. The brochure can be found at the Department's Web site:

<http://www.taxstate.ny.us/pdf/publications/income/pub135.pdf>

The Tax Department advises those seeking a preparer to:

- obtain references from the preparer's clients;
- ask about service fees in advance and avoid preparers who guarantee a refund or base their fees on a percentage of the refund or credit;
- make sure they can contact the preparer after the return is filed; and
- research the preparer's credentials through the Better Business Bureau, State Bar Association, or licensing authority for CPAs.

For more information, contact the New York State Department of Taxation and Finance in Albany at 518-457-4242 or

Senator Addabbo's District Offices in Howard Beach (718-738-1111) or in Middle Village (718-497-1630).

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