

Protect Your Assets!

How to Avoid Tax Scams

STOP! Before you blow your hard-earned cash on any training materials and documents, take a deep breath and read this article.

by **Sandy Botkin**

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"The money is the same, whether you earn it or scam it." - Bobby Heenan

"Who said crime doesn't pay? Look at how much Madoff made." – Anonymous

You are attending a seminar in a nice room with plenty of expensive audio-visual equipment. Many of the seats are filled with folks who are well-dressed and quite courteous. Out comes a speaker who is well-dressed, polished and seems to be very competent. He informs the group that they can eliminate paying taxes based on a number of legal arguments. He cites numerous cases that have supposedly supported his arguments.

STOP! Before you blow your hard-earned cash on his training materials and documents, take a deep breath and read this article.

Introduction: This article will cover the following:

1. Tax scams such as
2. Phishing scams
3. Economic Stimulus scams
4. Frivolous tax arguments
5. Fuel Credit Scams
6. Hiding income offshore
7. Abusive retirement scams
8. Claiming zero wages
9. Filing false claims for refunds
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11. Disguised corporate ownership
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28. Identity theft and what to do if you are a victim

There are a number of tax scams, not to mention other types of fraud, which are being perpetrated upon the American public. It has become such a widespread phenomenon that many of the enforcement agencies are overwhelmed by these frequent occurrences. My purpose is to protect you, dear reader, from being another victim of the newest types of thefts:

1. Tax Scams: There are an ever increasing number of scams being investigated by the IRS. Some of these scams are so devious and clever that even the smartest of folks can be fooled. Every year IRS publishes a list of the “dirty dozen” tax scams. Here are some of the latest scams being investigated by the IRS.

2. Phishing scams: Folks are receiving letters or emails with the IRS / Treasury department logo informing them that they may be owed a refund or to inform them that they may owe a lot of taxes unless they clear up a possible error in identity. In order to obtain this refund, or to clear up the error, they have to prove that they are the right person by confirming certain personal information such as social security number, mother’s maiden name, address etc. To date, IRS has identified as many as 1500 different phishing scams

Elaboration: IRS will never call you or write you asking for this type of personal information. You should never provide it to anyone by phone, letter or email. If you get an email requesting this type of information allegedly from the IRS, forward the email to phishing@irs.gov

3. Economic Stimulus Scams: Some scam artists are trying to trick individuals into revealing personal financial information that can be used to access their financial accounts by making promises relating to the economic stimulus payment, often called a “rebate.” To obtain the payment, eligible individuals in most cases will not have to do anything more than file a federal tax return. But some criminals posing as IRS representatives are trying to trick taxpayers into revealing their personal financial information by falsely telling them they must provide information to get a payment. Sometimes, these criminals might ask for bank account information for the IRS to directly deposit the rebates, which then results in the thieves cleaning out the bank account.

Elaboration: IRS will NEVER ask for this type of information regarding your social security number or bank account information.

1. Frivolous arguments: There are a host of frivolous arguments being made by promoters of scams that purport to reduce or even eliminate most tax liability. Some of the many fallacious arguments are:

2. Taxes are unconstitutional or not properly codified by Congress.
3. Folks are promised a non-existent mariner’s tax deduction
4. Tax filing is “voluntary” and thus, you don’t have to pay anything.
5. Taxes are only required for federal employees
6. There is no statute that properly codifies the tax code.
7. Wages, tips and other service income is not taxable, and many more.

You can get a complete list of these fraudulent arguments by going to: <http://www.irs.gov/taxpros/article/0,,id=159932,00.html> This is found in IRS notice 2007-61

Elaboration: None of these frivolous arguments have won in court. In fact, the judges are so tired of hearing them that they are asserting the government’s legal fees against those that make these arguments in court.

1. Fuel Credit Scam: Sometimes there is some truth behind the scam. Farmers are allowed a fuel tax credit for off-highway business purposes. However, some individuals are claiming the tax credit for nontaxable uses of fuel when their occupation or income level makes the claim unreasonable. Fraud involving the fuel tax credit was recently added to the list of frivolous tax claims, potentially subjecting those who improperly claim the credit to a \$5,000 penalty.

2. Hiding income offshore: To my knowledge this scam has been around for years but is being aggressively investigated by the IRS. Promoters are promising that by placing assets offshore in foreign banks or tax havens, taxpayers would avoid all taxes and, at the least, not have their income discoverable by the IRS on these accounts. Interestingly, some Swiss

banks helped promote this scam to the detriment of those involved. As an offshoot of this, some promoters set up foreign credit cards and promised that all income earned is paid to the credit card. This way, they promote that there will be no tax and that the IRS will never find out.

Elaboration: US citizens are taxed on their world-wide income. Setting up foreign bank accounts will NOT shield them from taxation. Even worse, on the federal tax return, there is a question asking about these. Now a taxpayer may have foreign accounts for many reasons; however, if a taxpayer doesn't disclose these accounts, they are subject to criminal fraud penalties. Moreover, IRS is aggressively investigating these accounts and has cut deals with most foreign jurisdictions.

1. Abusive retirement scams: The IRS continues to uncover abuses in retirement plan arrangements, including Roth Individual Retirement Arrangements (IRAs). The IRS is looking for transactions that taxpayers are using to avoid the limitations on contributions to Roth IRAs.

Taxpayers should be wary of advisers who encourage them to shift appreciated assets into Roth IRAs or companies owned by their Roth IRAs at less than fair market value. In one variation of the scheme, a promoter has the taxpayer move a highly appreciated asset into a Roth IRA at cost value, which is below annual contribution limits even though the fair market value far exceeds the amount allowed.

Elaboration: Contributions to retirement plans must be made in cash and NOT with appreciated assets. Also there are limitations to yearly contributions, which must not be exceeded.

1. Claiming zero wages: Some taxpayers try to file phony wage or income related information such as Form 4852 which is a substituted W-2 or amended form 1099 (for income, dividends and royalties) in order to improperly reduce their taxes to zero. This type of behavior is being tracked by the IRS and is aggressively being prosecuted. Don't get fooled into thinking that this scam will work.

2. Filing a false claim for refund: Usually taxpayers file form 843 to abate previously assessed taxes giving some fictitious argument. Even worse, many individuals who have tried this haven't even previously filed a federal tax return.

3. Return preparer tax fraud: Perhaps this has been an ongoing problem for years. However, I have seen a dramatic increase in enforcement by the IRS against fraudulent tax preparers. Thirty years ago, it was rare if more than two or three tax preparers per week were barred from preparing taxes or representing taxpayers. Today, I have seen as many as thirty tax preparers per week barred from preparing taxes.

The range of what these accountants are doing is quite varied. Some fraudulently puffed up their credentials claiming that they were CPAs or lawyers, which wasn't the case. Some improperly gave the fuel tax credit noted above. Many inflated deductions for taxpayers that the taxpayers never paid for. As an example, there was one accountant who claimed for his clients thousands more in charitable deductions than the client paid for.

Elaboration: IRS investigates these fraudulent accountants and audits all of their clients. You should certainly look for an aggressive accountant but also one who is honest!

1. Disguised corporate ownership: Some folks are forming entities in some states in order to hide the owners who are conducting a wide array of illegal activities such as hiding income, money laundering, etc. IRS is working with state authorities to investigate these activities.

Elaboration: No entity can guarantee complete shielding from the IRS. If IRS wants to investigate an entity, they can get the names of the owners, officers and any other pertinent information. There are some states that do promise increased privacy such as Nevada. However, even a Nevada corporation can easily be investigated by the IRS. Don't be fooled into thinking that any entity can be used to hide income from the IRS.

1. Misuse of trusts: Many promoters have promised taxpayers that certain trusts can be set up to minimize taxes by deducting a wide array of personal expenses or avoiding estate taxes. While there is a kernel of truth to this, especially regarding estate taxes, these trusts must be set up correctly. Moreover, they usually do not allow for deduction of personal expenses. It is vital to seek a good, qualified tax attorney to verify that these trusts do accomplish what was promised and are set up correctly. Finally, putting property in trust where you can control the assets or receive distributions can result in you, the grantor, being taxed on all of the trust income!

2. Abuse of charitable contributions and organizations: Many promoters promise to maintain control over donated property while taking a deduction. Examples of phony charitable deductions involve taxpayers who claim tuition payments as charitable contributions. Also, if you own property over a year, you can donate property and get a deduction for the fair market value of the item. However, promoters have set up scams where they sell paintings, antiques, closely held stock etc. to taxpayers on the promise that they will get these taxpayers an appraised value of many times the cost in a year for charitable deduction purposes. These overvaluation scams are fairly rampant.

3. Slavery tax credit: Although this isn't on this year's dirty dozen tax scams per se, IRS has noticed that this is fairly widespread as a "frivolous argument." Promoters promise African Americans a special tax credit as reparation for slavery and oppressive treatment. This is absolutely false and no one should be fooled by this.

Each year, IRS publishes a new list of their "dirty dozen" tax scams. You should be aware of these widespread scams. They can cost you large penalties and may even subject you to criminal penalties if you follow their advice. Avoiding these scams and running from people who promote them will make your life less taxing!

1. Investment Scams: These comprise a wide array of activities of which I will discuss a few:

2. Ponzi Scams: Many of us are aware of the Ponzi scheme perpetrated by Bernard Madoff. This is where new investors' money is used to pay other investors "profits". There is very little investment or profit made. However, not only has this scheme been around a long time but, sadly seems to be very pervasive.

Sandy's elaboration: Many folks have asked, "How they can avoid being a victim of these Ponzi schemes?" The answer involves several steps. First, always check out the money manager or promoter of the investment. This includes going to the BBB (Better Business Bureau). In addition, you should carefully read over their prospectus and see if you see any glaring problems. For example, if there is a major down market, you probably shouldn't be making money absent some very unusual conditions.

Finally, and this is important, you should never have most of your money with any one money manager. You should diversify the management of your money. This includes not putting all your money in one hedge fund, one mutual fund etc. Since you are insured by the government for fraud for \$500,000, you might consider putting no more than \$500,000 with any one firm or person. Obviously, if you are worth hundreds of millions, this can be unwieldy. Thus, as a rule of thumb, you might want to limit your investment with any one manager or firm to no more than 10% of your total investible assets.

Trading Software shams: You attend a big seminar where they didn't charge you much money to attend (this should clue you in that you are going to be hard sold a product or service). There is lots of excitement in the room with loud, motivational music, famous speakers, high energy, lots of comments about avoiding procrastination etc. Suddenly a good looking speaker gets up and promotes the fabulous value of his stock,

commodities or Forex trading software or training program. He or she cites wonderful glowing testimonials. They cite how much money you can make. They show you actual profitable trades made by people, although these trades might not be a result of using the trading software. They show you pictures of their big house and fancy car. They then guarantee you a refund of your several thousand dollar fee if you don't like their training by the end of the first day. They note that their training class has limited seats. Suddenly, you see hundreds of folks running to the back of the room to take advantage of this "wonderful" limited time offer..... Before you become another sucker, take a moment to breathe and thank me for warning you about this.

Ask yourself a question: If you had a gold mine that simply needed a shovel to scoop up the gold, would you tell anyone about it....let alone sell entry to the mine? The answer, if you are smart, is NO WAY. Look at Warren Buffet as an example. He has made billions investing in companies. Despite this, you don't see him publishing his formulas or his secrets for evaluating companies.

Even if you had developed some fabulous software that continuously makes money as a trader by finding bargains or uncovering market trends, couldn't you sell it to a major investment house for billions! Not only could you sell it for billions, but you would get capital gains on the sale, which means very little tax compared to the ordinary income that you would realize selling the software at seminars. In fact, the interest alone on the cash sale to the investment company would provide more money than you would make hawking the software at seminars.

Moreover, and this is a seminar inside secret, the promoter of the seminar gets a huge piece of the profit for getting you in the room, not to mention that the salesmen gets well paid too. Thus, why sell the software or training program at the seminar? The answer, if it didn't occur to you, is that the software either doesn't really work or doesn't work better than other less expensive software on the market!

High Priced Training Scams: Even worse, when you get to their "training" program, usually on the second day of training, which is after your refund period has run out, some of these organizations notify you that you really can't use the best of their web site or training materials unless you upgrade for a whopping extra \$10,000-\$25,000 or more! Hey, you were a sucker once; why not try another pitch on you!

If all this doesn't alarm you enough, you should note that studies have shown that traders rarely make money (long –term anyway) even with good trading software. I can honestly say that I know many traders and very, very few have made money long-term.

Sandy's rules for avoiding this sham:

Rule 1: NEVER buy software programs at seminars that cost more than \$2,000

Rule 2: Rarely buy training programs that cost more than \$2,000 at a seminar UNLESS you really know what will be presented at these programs. Go to the Seminar's or sponsor's web site and see who is speaking at the program. It would be best if you can do a Google search for all speakers or for their company and see what others have said about their products and services. Checking out the products in advance can really make a big difference between noting what you should invest in and what you should avoid.

Sandy's Elaboration: Let me be clear about this. There are some good quality training programs, and some of these good programs are expensive. You really need to understand what you are buying, what will be presented, and what specific benefits will accrue to you from the training.

Rule 3: Don't buy their product or enroll in their seminar unless you get two pieces of information (from the speaker) that will either make a big change in your life or put money in your pocket! Speakers tend to over promise and under deliver. I ignore the hype of promising to make me rich, famous, huge houses or fancy cars etc. I look for content present in the sales presentation. My test is that I simply look for two items of information given by the speaker that will either significantly impact my life OR put money in my pocket. If you can't find two ideas that you didn't know that will meet my test then the speaker probably has little content to offer, and I would stay away from buying anything from that speaker. Note; I am not that demanding; however, you will find this to be a great test.

1. Inheritance Scams: There seem to be a number of inheritance scams, otherwise known as Nigerian Scams since they usually involve some Nigerian, who wants you to provide a few dollars in order to get a clearance certificate from the US. The scam notes that they have over fifteen million dollars awaiting them, but they can't get it into this country due to legal hassles and IRS clearance. They usually cite famous folks who can vouch for them. If you would provide American bank account

information for them, they will transfer the full fifteen million to you. All they want is for you to pay them 90% of the proceeds, keeping 10% for you.

Sandy's elaboration: I actually got a letter like this and laughed at its obvious fraudulent content. However, it seems that many suckers....er.... wronged victims fell prey to this façade and had their bank accounts cleaned out by the scammers. NEVER fall victim to this type of hoax. Never, ever give out your bank account information and bank routing number. Remember, if it sounds too good to be true, it probably is.

1. Pyramid Scams: These really fall into two categories. The first involves a clearly illegal scam involving chain letters. The scam involves a letter with a number of names on the letter that you should send a copy to in addition to a check for money. If each of these does the same, you will supposedly make a lot of money back. The catch is that it rarely happens that way, and it is plainly illegal to participate in this. Don't do it. The second type of scam is the illegal pyramids that are sometimes structured as multi-level marketing companies.

Sandy's elaboration: Let me be clear about this. Not all network marketing companies are illegal. In fact, the vast majorities of them are quite legal, provide a very viable opportunity and are quite good at providing good marketing and business training. I have personally met some folks in these businesses who have earned over \$100,000 per month! No, I am not kidding about this. You can check out an article on evaluating a network marketing opportunity found in the articles section of my web site at www.taxreductioninstitute.com

A legal MLM should encourage retailing of products in addition to recruiting. If the only way you can make money is to recruit folks, and no one would buy the product without being a distributor, it is probably an illegal pyramid. Most court cases require a certain amount of retailing of the MLM products to non-distributors for the MLM to be a legal operation.

Advertised products: Now I know you are thinking, "wait Sandy.... Advertising is perfectly legal as long as the company doing the advertising lives up to its promises." You are correct in thinking this. However, did you ever ask yourself, "who pays for the ads?" The answer: you do! Everyone who buys a product as a result of expensive television ads pays a lot more for that product than if they bought from a company that doesn't advertise as much. This is particularly true if a well-known celebrity is pitching the product, which geometrically increases the cost of the advertisement.

Check out the cash value of whole life products and term costs of companies who advertise a lot on television and compare that to companies who don't advertise as much. I learned about this the hard way.

I had a radio show where we had advertisers. On my show I thought I was doing a service to my listeners about companies that provide the most competitive rates. Thus, I mentioned companies who had the lowest mortgage interest, companies that had the lowest stock commissions on the purchase and sale of shares etc. I even noted those insurance companies that had the best life insurance based on cash values. I then compared them to the companies that had the highest rates or highest prices for the same products or services. Interestingly, my advertising base slowly disappeared, and I eventually was removed from the show. Little did I realize that firms that were giving the best deals weren't those that advertised! It was those that gave the worst deals or prices that did the most advertising. You will see a lot of companies suddenly hawking products on infomercials and TV. You should always carefully evaluate your potential purchase of these products. More often than not, I have found them to be of inferior quality and found that they don't live up to the advertisement.

Bottom line: Before you buy into that highly promoted toothpaste, razor, gold buying service, or wonderful new infomercial promoted gadget, shop around for a better deal.

Job Scams: Today, if you haven't been right sized or capsized, you are probably worried about being right sized, capsized or just laid off. Sadly, there are a number of scams being perpetrated on these poor folks. The scams vary from requiring payment for jobs to advertised jobs whose sole intent is to get money from the victim for some home based business.

Sandy's Elaboration: You should NEVER have to pay money in order to get a job unless the job offer actually comes through. Most legitimate employment agencies work this way. Moreover, advertising jobs that are really a home based business scheme is just plain wrong and probably illegal.

One exception to this might be newsletters. There are some employment newsletters that list jobs for a specific category such as federal job openings. Frankly, with some research, you could probably get this

information for free. However, these occupational newsletters do perform a service and aren't all scams. Just make sure that the jobs offered are real jobs and involve real, current openings. I have found that for many jobs in the newsletter, the job has been closed to applications by the time you get the newsletter.

1. Fabulous Offer Scams: You suddenly get a letter in the mail or by email that you have won a big prize or can get a product at a fantastic discount. Sometimes, they ask for a wire fee to cover the cost of the wire transfer. Don't pay the fee.

Sandy's Elaboration: It is illegal for a company to charge a fee to get a prize.

Free vacation for attending seminar scam: You get a letter promising you free airfare for two and maybe even hotel stay for several days if you will attend their wonderful seminar that deals with vacation discounts. I attended three of these in order to check them out. I got vouchers that took over three months arrive after a lot of complaining. In addition, the vouchers had so many restrictions that they were worthless. Moreover, the seminars were simply high pressure sales tactics used to lure folks to purchase their overpriced vacation packages. Stay away from these.

Telephone scams: These come in many varieties. For example, you get a call from the "phone company" asking you to test your phone. In order to do that, they ask you to use *90 or #09. These scamsters can now make long distance calls and charge it to your phone number. Never use *90 or #09.

The second version of these types of scams has you dialing an 809 area code. You might get a message on your answering machine that your parent has died and to call a specific phone number or that you need to call a specific number to claim a prize. Sadly, you are probably told to call an 809 number that will result in charges of \$1,000 per minute and up. Sadly, these numbers are in locations that can't be regulated by US authorities.

Seminar and investment schemes: There was an old joke that noted, "The most expensive thing in the world was a lady who was free for the evening." Today, this has changed to, "The most expensive thing in the world can be a free or almost free seminar." NO ONE OFFERS SEMINARS FOR FREE or AT A VERY LOW COST WITHOUT TRYING TO SELL YOU SOMETHING! I hope that putting this in capital letters will indelibly make you remember this. I was reading about two retirees who

attended an investment seminar run by an accountant who promised at least 8% return on their investments. Needless to say it was a ponzi scheme and they lost all of their money. Sadly, most folks trust people, and that is exactly what you should NOT do.

Sandy's elaboration: Before you attend these free or significantly discounted seminars, always check them out on the web. See what they are selling. Check out the organizations that are selling products. You will find, more often than not, that many of these products or services are just bad deals and WAY overpriced for what you are getting. Think about it: both the seminar provider and sales person has to be very well paid. Who do you think is paying for this? Answer: the suckers.

Thus, the easiest way to avoid these types of fraud, according to Joseph Borg of the Alabama Securities Commission^[i] is to ignore the pitches, hang up on the telemarketers, reject invitations to free seminars, especially free lunch or dinner seminars, and to toss out mail with promises of surefire investments and cheap or free travel."

I would follow the advice of the Kiplinger's Retirement letter^[ii], Do NOT give any cold caller or visitor money, whether by wiring money or sending money orders or personal checks. If you suspect telemarketing fraud, call your state attorney general's office or the National Consumer League's Fraud Information Center at 202-835-3323 or go to www.fraud.org. Also NEVER let someone push you into an immediate decision. Finally, never give out social security or bank account information to unsolicited callers or to someone you don't implicitly trust. When in doubt, always, always check them out on the web and with the Better Business Bureau before making a purchase.

Other scams such as book scams: Sadly, the numbers and types of scams are proliferating faster than we humans can shut them down. I have seen many other types of scams such as various types of religious scams (think Jonestown), scams that form a religion in order to try to avoid paying taxes, charitable scams formed to get money from you by training fund raisers who get a large commission and many others. I do want to highlight another scam that has been going on for decades.

The Book Scam: I was recently contacted by a well known individual who wanted me to promote their book to my data base. Their email promised to pay me for each person who bought their book as a result of my contact with them. They promised me leads and promised to pay me for other affiliates who have large data bases. However, nowhere in the

letter was there any discussion about what was in the book or why it would be a good book to read. They were solely interested in selling lots of copies during a one-week period in order to get on the best sellers list, and they assumed that I couldn't care less about the quality of their work! Yes, this happens a lot too. Moreover, I have read other books by this person and found them to be very thin in both content and style. However, this person is a great marketer.

Always be wary of folks who suddenly promote someone else's book when it first becomes published. Don't assume that because a book made some best seller list, it is necessarily a good book. In fact, I know authors who have purchased enough books by themselves, supplemented by hiring folks to buy enough books, so that they can make a best seller list.

Identity Theft: In our era of electronic purchasing of products through the internet and wire transfers and credit cards, identity theft is becoming the biggest type of fraud worldwide. Here is what the Department of Justice says about it:

"Identity theft and identity fraud are terms used to refer to all types of crime in which someone wrongfully obtains and uses another person's personal data in some way that involves fraud or deception, typically for economic gain. These Web pages are intended to explain why you need to take precautions to protect yourself from identity theft. Unlike your fingerprints, which are unique to you and cannot be given to someone else for their use, your personal data - especially your Social Security number, your bank account or credit card number, your telephone calling card number, and other valuable identifying data - can be used, if they fall into the wrong hands, to personally profit at your expense. In the United States and Canada, for example, many people have reported that unauthorized persons have taken funds out of their bank or financial accounts, or, in the worst cases, taken over their identities altogether, running up vast debts and committing crimes while using the victim's names. In many cases, a victim's losses may include not only out-of-pocket financial losses, but substantial additional financial costs associated with trying to restore his reputation in the community and correcting erroneous information for which the criminal is responsible.

In one notorious case of identity theft, the criminal, a convicted felon, not only incurred more than \$100,000 of credit card debt, obtained a federal home loan, and bought homes, motorcycles, and handguns in the victim's name, but called his victim to taunt him -- saying that he could continue to

pose as the victim for as long as he wanted because identity theft was not a federal crime at that time -- before filing for bankruptcy, also in the victim's name. While the victim and his wife spent more than four years and more than \$15,000 of their own money to restore their credit and reputation, the criminal served a brief sentence for making a false statement to procure a firearm, but made no restitution to his victim for any of the harm he had caused. This case, and others like it, prompted Congress in 1998 to create a new federal offense of identity theft. What are the most common ways for criminals to steal your identity?

According to the Department of Justice,^[iii] "Many people do not realize how easily criminals can obtain our personal data without having to break into our homes. In public places, for example, criminals may engage in "shoulder surfing" watching you from a nearby location as you punch in your telephone calling card number or credit card number or listen in on your conversation if you give your credit-card number over the telephone to a hotel or rental car company.

Even the area near your home or office may not be secure. Some criminals engage in "dumpster diving" going through your garbage cans or a communal dumpster or trash bin -- to obtain copies of your checks, credit card or bank statements, or other records that typically bear your name, address, and even your telephone number. These types of records make it easier for criminals to get control over accounts in your name and assume your identity.

If you receive applications for "preapproved" credit cards in the mail, but discard them without tearing up the enclosed materials, criminals may retrieve them and try to activate the cards for their use without your knowledge. (Some credit card companies, when sending credit cards, have adopted security measures that allow a card recipient to activate the card only from his or her home telephone number but this is not yet a universal practice.) Also, if your mail is delivered to a place where others have ready access to it, criminals may simply intercept and redirect your mail to another location.

In recent years, the Internet has become an appealing place for criminals to obtain identifying data, such as passwords or even banking information. In their haste to explore the exciting features of the Internet, many people respond to "spam" unsolicited e-mail that promises them some benefit but requests identifying data, without realizing that in many cases, the requester has no intention of keeping his promise. In some cases, criminals reportedly have used computer technology to obtain

large amounts of personal data.

With enough identifying information about an individual, a criminal can take over that individual's identity to conduct a wide range of crimes: for example, false applications for loans and credit cards, fraudulent withdrawals from bank accounts, fraudulent use of telephone calling cards, or obtaining other goods or privileges which the criminal might be denied if he were to use his real name. If the criminal takes steps to ensure that bills for the falsely obtained credit cards, or bank statements showing the unauthorized withdrawals, are sent to an address other than the victim's, the victim may not become aware of what is happening until the criminal has already inflicted substantial damage on the victim's assets, credit, and reputation.”

Sandy's elaboration: This happened to me. I had an insect control guy in my home. He found a credit card slip on the kitchen counter of my home. Within a month later, I had several thousand dollars of unauthorized charges on my credit card. I had the Secret Service in my home conducting an investigation. It was very unpleasant.

What can you do in order to avoid Identity Theft?

Rarely give out any personal data or even credit card information to anyone unless you have a very good reason to trust them.

Never give out information that the company should already know. Thus, if you have a password for your online banking or you need a pet's name, the bank employee shouldn't be asking you for these personal items. This should be in their data base. Likewise, you should almost never give out your social security number to anyone.

Sandy's elaboration: Many doctors routinely ask for social security number. I think they do this in order to track you down if you don't pay the bill. I NEVER give my social security number. I only give my health insurance group number.

According to the Department of Justice, if someone you don't know calls you and offers you a prize or credit card and wants personal information such as a social security number; have them send you a written application. Moreover, check with the company that called you in order to verify that they really are offering you what they purportedly say they do. Double check that the application is going to the organization that called you.

When giving someone a credit card number while traveling, such as a hotel clerk, make sure no one is looking over your shoulder. Also, don't give credit card information or personal information over any phone while in a public spot such as an airport. I have heard folks doing this. I could have easily written down their credit card number while they were talking.

Check your credit information monthly. I subscribe to a credit information reporting service and monitor my credit. This service also looks for new accounts that might be established in my name. Although I use MYfico.com, there are other services such as freecreditreport.com and even Lifelock who places a fraud alert on your credit report every 90 days. Since I am not familiar with Lifelock or freecreditreport.com, I can't specifically endorse them. You would have to check them out for yourself.

Read over your credit card statements carefully! Too many of us do not read these statements as carefully as we should. Always look for unauthorized transactions. Some crooks only charge one or two minor things each month in the hope of not getting noticed.

If someone has managed to make unauthorized charges on your credit card or has taken money from your bank, you need to contact the credit card company or financial institution where you bank immediately and report the transaction. You would then place a fraud alert with your bank and all credit reporting agencies and cancel any credit cards that have been compromised.

If you are a victim of credit card or identity theft, here is a checklist provided by the California Public Research Group (CALPIRG) of what to do:

- *Contact the Federal Trade Commission (FTC) to report the situation, whether Online,
- * By telephone toll-free at 1-877-ID THEFT (877-438-4338) or TDD at 202-326-2502, or
- * By mail to Consumer Response Center, FTC, 600 Pennsylvania Avenue, N.W., Washington, DC 20580.
- *In addition, the Department of Justice notes that you should do the following:

Call the fraud units of the three principal credit reporting companies:

[Equifax:](#)

1. To report fraud, call (800) 525-6285 or write to P.O. Box 740250, Atlanta, GA 30374-0250.
2. To order a copy of your credit report (\$8 in most states), write to P.O. Box 740241, Atlanta, GA 30374-0241, or call (800) 685-1111.
3. To dispute information in your report, call the phone number provided on your credit report.
4. To opt out of pre-approved offers of credit, call (888) 567-8688 or write to Equifax Options, P.O. Box 740123, Atlanta GA 30374-0123.

Experian(formerly TRW)

1. To report fraud, call (888) EXPERIAN or (888) 397-3742, fax to (800) 301-7196, or write to P.O. Box 1017, Allen, TX 75013.
2. To order a copy of your credit report (\$8 in most states): P.O. Box 2104, Allen TX 75013, or call (888) EXPERIAN.
3. To dispute information in your report, call the phone number provided on your credit report.
4. To opt out of pre-approved offers of credit and marketing lists, call (800) 353-0809 or (888) 5OPTOUT or write to P.O. Box 919, Allen, TX 75013.

Trans Union

1. To report fraud, call (800) 680-7289 or write to P.O. Box 6790, Fullerton, CA 92634.
2. To order a copy of your credit report (\$8 in most states), write to P.O. Box 390, Springfield, PA 19064 or call: (800) 888-4213.
3. To dispute information in your report, call the phone number provided on your credit report.
4. To opt out of pre-approved offers of credit and marketing lists, call (800) 680-7293 or (888) 5OPTOUT or write to P.O. Box 97328, Jackson, MS 39238.

Contact all creditors with whom your name or identifying data have been fraudulently used. For example, you may need to contact your long-distance telephone company if your long-distance calling card has been stolen or you find fraudulent charges on your bill.

Contact all financial institutions where you have accounts that an identity thief has taken over or that have been created in your name but without your knowledge. You may need to cancel those accounts, place stop-payment orders on any outstanding checks that may not have cleared, and change your Automated Teller Machine (ATM) card, account, and Personal Identification Number (PIN).

Contact the major check verification companies (listed in the [CalPIRG-Privacy Rights Clearinghouse checklist](#)) if you have had checks stolen or bank accounts set up by an identity thief. In particular, if you know that a particular merchant has received a check stolen from you, contact the verification company that the merchant uses:

1. CheckRite -- (800) 766-2748
2. ChexSystems -- (800) 428-9623 (closed checking accounts)
3. CrossCheck -- (800) 552-1900
4. Equifax -- (800) 437-5120
5. National Processing Co. (NPC) -- (800) 526-5380
6. SCAN -- (800) 262-7771
7. TeleCheck -- (800) 710-9898

Sandy's elaboration: Some insurance companies for a small fee, will provide identity theft protection. They not only will insure you for damage, but they will provide a person to handle your case and perform many of the steps on your behalf that I noted above.

Identity theft, as well as all other scams, can be avoided by paying attention to your surroundings, using common sense, and doing your research on the individual and/or company before you make a purchase or investment. Hopefully this information will prevent you from becoming another statistic and should make your life less taxing.



Sandy Botkin is a CPA, attorney and former trainer of IRS attorneys nationwide. Sandy's book, *Lower Your Taxes Big Time!*, is the best-selling tax book at Amazon.com. He lectures all over the nation on tax planning for self-employed and corporate taxpayers... he's been written up in Newsweek and many other magazines. He is also a syndicated writer and noted author

of this famed tape series "*Tax Strategies for Business Professionals*" and "*Tax and Financial Strategies for Residential Real Estate*." To find out more about Sandy and his products, visit his website with our affiliate link here: www.TaxReductionInstitute.com or e-mail Sandy at:

info@taxreductioninstitute.com. Or, call at (800) TRI-0-TAX (800-874-0829 or (301) 972-3600.
