



FEBRUARY 8, 2024

## Maryland Needs All Available Tools to Fight Tax Scams

### Position Statement Supporting House Bill 452

*Given before the House Ways and Means Committee*

Fraudulent tax preparers can have a devastating impact on the lives of unsuspecting Marylanders trying to do the right thing and file accurate tax returns, and one bad actor can do significant harm. Just last week, a former Maryland preparer was sentenced for completing more than 1,000 fraudulent returns that cost the IRS \$4.7 million in unpaid taxes.<sup>1</sup> While the Office of the Comptroller does catch thousands of fraudulent returns each year, the agency's tools need to be updated to keep up with the changing behavior of criminal actors. **For these reasons, the Maryland Center on Economic Policy supports House Bill 452.**

Victims of tax preparation scams often face significant financial harm and potential legal liability through no fault of their own. One of the most common scams, according to the IRS and the Comptroller's Office, are so-called "ghost" preparers who prepare legitimate-looking tax returns that include deductions and credits the taxpayer isn't actually eligible for, designed to boost the size of the return, but don't sign them. The preparer then takes some or all of the refund, leaving the taxpayer liable for unpaid taxes and without the refund they were expecting. These scams often target older adults and immigrant communities, among other vulnerable groups.

House Bill 452 strengthens existing fraud prevention by:

- Mandating information sharing between the Comptroller and the Maryland Board of Individual Tax Preparers when either body takes disciplinary action against an individual.
- Directing the Board to develop a code of ethics and rules of professional conduct for individual tax preparers registering in Maryland.
- Creating new authority for the Comptroller's Field Enforcement Bureau to pursue financial penalties against individuals engaging in scam and unregistered tax preparation services.

New tools to help stop tax scams before a fraudulent preparer is able to harm hundreds of victims will have a significant benefit for Maryland families.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Ways and Means Committee make a favorable report on House Bill 452.**

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## Equity Impact Analysis: House Bill 452

### *Bill summary*

House Bill 452 strengthens existing fraud prevention by:

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### *Background*

The Office of the Comptroller identifies and blocks thousands of fraudulent tax returns each year, but too many still slip through the cracks in the current enforcement system.

### *Equity Implications*

Scam tax preparers particularly target individuals who are already vulnerable, such as seniors and immigrant communities, according to the IRS and Comptroller's Office. Increased tools for preventing scams will particularly benefit these groups.

### *Impact*

House Bill 452 would likely **improve racial and economic equity** in Maryland.

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<sup>1</sup> <https://www.justice.gov/opa/pr/maryland-tax-preparer-sentenced-more-two-years-prison-filing-false-tax-returns>