

Fraudulent tax preparers draw in victims with a wide array of false promises. Some will claim they can get their customers larger refunds than other preparers, while others will promise they can prepare a tax return over the phone or with almost no documentation. During tax season, many new preparer's offices open for a few months, advertising heavily to gain as many customers as possible before closing again. With such temporary businesses, scammers can disappear between tax seasons, only to reappear next year with a new name and office. Fraudulent preparers have been known to target low-income communities and those who do not speak English as a first language, in order to take advantage of any lack of knowledge of the tax system. These rackets only harm the reputation of the many reputable professional tax preparers within the state, whom both free tax prep sites, and our own clinic, rely on for volunteers.

Once a taxpayer inadvertently chooses a fraudulent tax preparer, the consequences can be dire. First, the preparer can easily direct the taxpayer's refund check to themselves. They can also falsely inflate this refund by applying for tax credits and deductions they know the taxpayer does not qualify for, but which they may still receive if the fraud is not immediately noticed. The scammer may be able to convince the filer to pay any due taxes to them, at which point the preparer will simply pocket the money. Once they have the taxpayer's personal information, the scammer can steal the taxpayer's identity and file in their name next year, stealing their refund yet again. After the fraud is perpetrated, it is rare that any money will be recovered, and the victim still owes their taxes. If their refund was inflated, then even if it wasn't stolen, then they must pay back any portion of the refund they were not entitled to. While the Comptroller may be able to offer limited relief in some circumstances, either way the scammer has made off with the money of an innocent taxpayer, or tax revenue that would have otherwise gone to the state.

The Tax Clinic at MVLS has seen many of our clients in situations like these. Here are two examples:

1. Sarah is a retired 72-year-old widow and grandmother of two, who hired a preparer from the now blacklisted Liberty Tax Service to prepare her 2013, 2014, and 2015 returns. Several years later, she received a bill for nearly \$7000 from the Comptroller's office, who had discovered her preparer had fabricated income on her return to inflate her refund, and thus the preparer's commission. Thankfully, with our clinic's help, Sarah, who had only Social Security income, was able to negotiate a lower payment through the Comptroller's Offer in Compromise program.
2. Ella is a crabworker on the eastern shore who hired a pair of fraudulent taxpayers to prepare her 2018 and 2019 returns. The preparers inflated her refund and filed her returns using their own address, so that they would receive her check, and keep most of it. The next year, Ella corrected her address and used a different preparer. The fraudsters visited her at work and threatened to have her arrested if she didn't hand over her refund check. MVLS quickly began representation, helping her repair her tax situation and connect her with local assistance to protect her from further harassment.

The passage of HB0452 will mean fewer cases like these, and a safer and more efficient Maryland tax system.

Chairwoman Atterbeary and members of the Committee, thank you again for the opportunity to testify.