



New York's Unfolding Attack on Fraudulent Preparers

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Tax Gap Enforcement Strategy

OUR GOAL: To increase voluntary compliance by deterring unlawful taxpayer conduct

OUR METHOD: A “carrot and stick” approach to change taxpayer behavior

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The Stick?

Increased, Smarter and Better Enforcement

- Restructured OTE
- Increased fraud fighting resources
- Leveraged technology – proactive cases
- Increased public awareness
- Increased collaboration with prosecutors

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The Carrot?

NY's Voluntary Disclosure & Compliance Program

A new statutory program that gives the Commissioner the power to grant criminal immunity and waive civil penalties for eligible taxpayers who disclose and pay unknown past tax debts and who sign and comply with a compliance agreement.

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WHY FOCUS ON TAX PREPARERS?



- Preparers are uniquely situated to influence compliance (or engage in fraud)
- Preparers are generally unregulated in New York
- Data mining reveals patterns of fraud tied to preparers
- Our cases have revealed two types of problems involving preparers
 - Refund fraud and fictitious returns
 - Coaching fraud and non-compliance

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INITIAL STEPS

- Stop the bleeding -- Using technology to identify and cut-off refund/credit schemes
- Identify your targets -- Using technology to reveal patterns of fraud tied to preparers

Building a questionable preparer database
Targeting non-filing preparers

- Educating and “enlisting” the professions



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TAKING ACTION

Targeting the refund mills

Building criminal cases – preparers as accomplices

Using civil preparer penalties

- Significant \$\$\$ -- \$5,000 per false return filed
- Penalties are public when assessed

Publicizing results

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Undercover Operations

- Chapter 1: Going shopping: Our undercover initiative
- Chapter 2: “Enlisting” corrupt taxpayers
- Chapter 3: “Enlisting” corrupt preparers



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Chapter 1 – Going Shopping

The operation – The wonder of electronics

The results to date – by the numbers

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Favorite Hits

- **The old thumb trick.**
- **I will use my “magic pencil”**
- **Why are you filing? (I have not filed for years)**
- **Let me give you an education**



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Favorite hits continued

- **Don't show numbers to anyone – a recurring theme**
Only to me and God.
Shred your books; Recreate your books
Homework? Do it in the other room so I can swear

- **Don't use banks; Hide your cash (don't tell your wife)**

- **I could go to jail for this.**



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Covert operations – Chapter 2

- **“Enlisting” taxpayers who have been caught.**

I pulled the numbers out of the air (a sales tax case)

An actor unleashed

Don't worry about the Tax Department. They don't know what they are doing.

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Covert operations – Chapter 3

- “Enlisting” corrupt preparers – You cannot trust anyone!

Cooperation agreements

Identifying top cheaters

Building cases



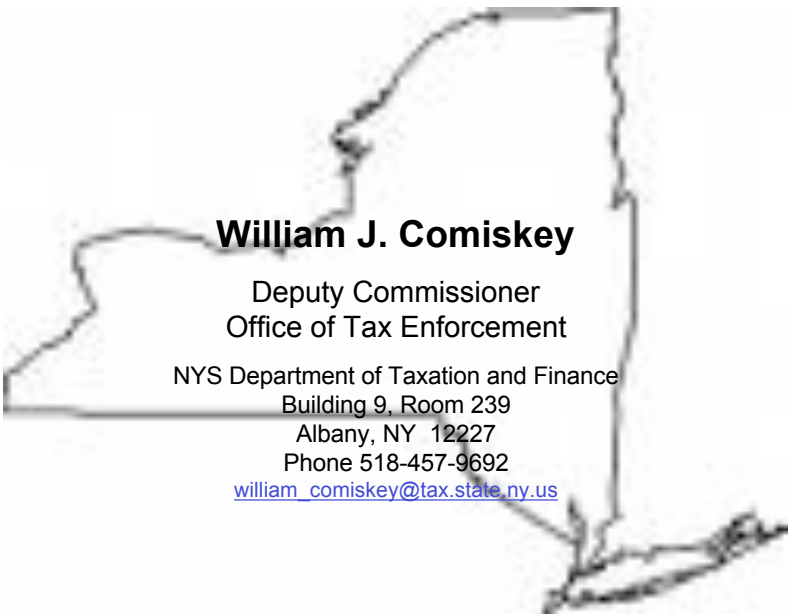
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NY’s Voluntary Disclosure & Compliance Program – The final chapter

Inviting clients of corrupt preparers to participate.



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