

Watch out for tax identity thieves

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Tax season is here again, and the IRS says it will be emphasizing online services and automation this year to navigate the hectic tax filing season. In light of one of the most rapidly growing scams – tax identity theft – Better Business Bureau of Minnesota and North Dakota (BBB) encourages people to file their tax returns early in the tax filing season, if possible, which begins this year on January 31.

"Tax identity theft is when someone uses your Social Security number to file a tax refund or get a job," said Dana Badgerow, president and CEO of Better Business Bureau of Minnesota and North Dakota. "Federal Trade Commission (FTC) statistics show that in 2012, tax identity theft accounted for over 40 percent of identity theft complaints. This is definitely a growing problem."

According to the FTC, you might find out you've been a victim of tax identity theft when you get a letter from the IRS saying more than one tax return was filed in your name, or if IRS records show you have wages from an employer you don't recognize. To avoid tax identity theft:

- Don't give out your Social Security number unless necessary.
- Use a secure Internet connection if you file your taxes electronically.
- Be aware the IRS won't contact you by email, text or through social media; if they need information, they will contact you by mail.
- If your Social Security Number has been compromised, contact the IRS ID Theft Protection Specialized Unit at 1-800-908-4490.
- Check your credit report at least once a year – for free – at annualcreditreport.com .

At a minimum, you should start gathering the materials you'll need to file your taxes now rather than waiting until the last minute. BBB offers the following advice on tax preparation and how to find a trustworthy tax preparer:

- **Ask around.** Get referrals from friends and family on who they use and check BBB reports on tax preparers and tax preparation services at bbb.org .
- **Don't fall for the promise of big refunds.** Be wary of any tax preparation service that promises larger refunds than the competition, and steer clear of tax preparers who base their fee on a percentage of the refund.

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- **Look for credentials.** Ideally, your tax preparer should either be a certified public accountant, a tax attorney, an enrolled agent or a certified E-file provider.
- **Make sure they have a Preparer Tax Identification Number (PTIN).** A PTIN must be obtained by all tax return preparers who are compensated for preparing or assisting in the preparation of, all or substantially all of any U.S. federal tax return, claim for refund, or other tax form submitted to the IRS.
- **Investigate** whether the preparer has any questionable history with your state's Board of Accountancy (for CPA's), the State Bar Association (for attorneys) or the IRS Office of Professional Responsibility (OPR) for enrolled agents.
- **Remember** that a Paid Preparer is required by law to sign your return and fill in the preparer areas of the form. They should also include their appropriate identifying number on the return. In addition, the preparer must give you a copy of your return.
- **Consider accessibility.** Many tax preparation services only set up shop for the months leading up to April 15. In case the IRS finds errors, or in case of an audit, you might need to be able to contact your tax preparer throughout the year; be sure to find out how you would do so.
- **Read the contract carefully.** Read tax preparation service contracts closely to ensure you understand issues such as how much it is going to cost for the service, how the cost will be affected if preparation is more complicated and time consuming than expected and whether the tax preparer will represent you in case of an audit.
- **Don't forget about Free File.** If your adjusted gross income is \$57,000 or less, Free File offers free Federal tax preparation and e-filing. Visit irs.gov/uac/Free-File:-Do-Your-Federal-Taxes-for-Free to learn more.

According to the IRS, many tax preparation software companies will begin accepting returns in January and hold those returns until the IRS systems open at the end of this month. This includes the Free File partners that offer access to their software for free at freefile.irs.gov/. The IRS will not process any tax returns before January 31, so there is no advantage to filing on paper before the opening date. Taxpayers will receive their tax refunds much faster by using e-file or Free File with the direct deposit option.

The mission of the Better Business Bureau is to be the leader in building marketplace trust by promoting, through self-regulation, the highest standards of business ethics and conduct, and to instill confidence in responsible businesses through programs of education and action that inform, assist and protect the general public. We are open 8 a.m. to 5 p.m. Monday through Friday. Contact the BBB at bbb.org or 651-699-1111, toll-free at 1-800-646-6222.