

The IRS's 2020 "Dirty Dozen" List is Out - Future List of Enforcement and Compliance Priorities Forthcoming

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Every year the IRS compiles a "Dirty Dozen" list of scams and abusive schemes that may impact taxpayers. On July 16, 2020, the IRS released its 2020 Dirty Dozen List, which almost exclusively focuses on the schemes and tactics that scam artists use to steal taxpayers' money and personal financial information during the COVID-19 pandemic and generally, rather than including abusive tax shelters, inflated refund claims, and excessive credit claims that normally appear on this list. See the 2019 Dirty Dozen list here for example. However, the IRS has not let promoters off the hook given this statement from the release – "The IRS plans to unveil a similar list of enforcement and compliance priorities this year as well."

The 2020 Dirty Dozen List

1. **Phishing** – focused on fake emails and websites, particularly those trying to exploit the COVID-19 pandemic.
2. **Fake Charities** – focused on fake charities trying to exploit the COVID-19 pandemic to steal money.
3. **Threatening Impersonator Phone Calls** – focused on "vishing" attempts that threaten arrest, deportation, license revocation, etc. concerning the failure to pay a tax bill.
4. **Social Media Scams** – focused on tax-related identity theft via social media platforms and text messaging.
5. **Economic Impact Payment (Stimulus Payment) or Refund Theft** – focused on identity theft and the filing of false returns or other bogus information with the IRS.
6. **Senior Fraud** – focused on fraud targeting older Americans in cooperation with the FBI, FTC, and the Consumer Financial Protection Bureau.
7. **Scams Targeting Non-English Speakers** – focused on the threatening impersonator phone calls targeted at groups with limited English proficiency.

8. **Unscrupulous Return Preparers** – focused on “ghost” preparers that do not sign returns and preparers seeking to inflate or file bogus Earned Income Tax Credits and take a fee based on a percentage of the refund generated.
9. **Offer in Compromise Mills** – focused on debt resolution companies that exaggerate chances to settle back taxes for “pennies on the dollar;” you’ve seen the commercials.
10. **Fake Payments with Repayment Demands** – focused on a specific identity theft and false return filing scheme where the scammer poses as an IRS employee and demands payment via gift card.
11. **Payroll and HR Scams** – focused on phishing attempts designed to steal payroll information, i.e., Business Email Compromise (BEC) and Business Email Spoofing (BES) scams.
12. **Ransomware** – focused on malware targeting human and technical weaknesses that steals sensitive data.

So, the 2020 Dirty Dozen List is notably different from prior versions given the absence of several typical IRS enforcement and compliance priorities, but the IRS indicated that a wholly separate enforcement and compliance priorities list is forthcoming. What IRS initiatives and campaigns will be on that list? Below is our short list based on previously announced IRS initiatives and campaigns, IRS Commissioner Rettig’s June 30, 2020 testimony before the Senate Finance Committee, and prior Dirty Dozen lists.

Predictions for the IRS’s 2020 Enforcement and Compliance Priorities

1. Offshore Tax Noncompliance/Avoidance
2. Syndicated Conservations Easements
3. Micro-captive Insurance Shelters
4. Virtual (Crypto) Currency – Bitcoin, Ethereum, Ripple, etc.
5. High-income Non-filers
6. High-income/High-wealth Taxpayers (and the questionable transactions typically engaged in by many this group)
7. S Corporation Distributions and S Corporation Losses Claimed in Excess of Basis
8. Excessive Business Credit Claims – focus on the fuel tax credit and research tax credit
9. Tax Cuts and Jobs Act Changes – focus on IRC § 163(j), 168(k), 199A, and 461(l)

We’ll see what actually ends-up on the IRS’s formal enforcement and compliance priorities list, and what the IRS actually starts to actively examine. Once again, the IRS is being asked to do more with less resources (budget, people, technology, etc.); only this time it’s during a pandemic after unprecedented government spending. Watch out for COVID-19 related scams and keep checking for updates and additional Insights here. For more detailed information and guidance please reach-out to David M. McCallum and your Nexsen Pruet Tax Team.