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2020 COVID-19 Guidance

2020 COVID-19 News

Federal Tax Update

IRS warns of tax scams related to economic impact payments, Federal Tax

Update (04/03/2020)

IRS warns of tax scams related to economic impact payments

IRS issues warning about Coronavirus-related scams; watch out for schemes tied to economic impact payments

IRS-Criminal Investigation warns of possible COVID-19 economic impact payment scams

On several of its webpages, IRS has issued warnings about possible scams with respect to the economic impact payments to individuals that are contained in the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act; the Act).

Background. Under the CARES Act, an eligible individual is allowed an income tax credit for 2020 equal to the sum of: (1) \$1,200 (\$2,400 for eligible individuals filing a joint return) plus (2) \$500 for each qualifying child of the taxpayer. (Code Sec. 6428(a), as added by Act Sec. 2201(a)) The credit, to be distributed as a payment, is often referred to as the economic impact payment.

IRS warns of scams. IRS asks taxpayers to be aware of the possibility of scams involving economic impact payments. It notes:

..."IRS isn't going to call you asking to verify or provide your financial information so you can get an economic impact payment or your refund faster. That also applies to surprise emails that appear to be coming from the IRS."

...Taxpayers should also watch out for text messages, websites, and social media attempts that request money or personal information.

...In most cases, IRS will deposit economic impact payments into the direct deposit account taxpayers previously provided on tax returns. Those taxpayers who have previously filed but did not provide direct deposit information to IRS will be able to provide their banking information online to a newly designed secure portal on IRS.gov in mid-April. If IRS does not have a taxpayer's direct deposit information, a check will be mailed to the address on file. Taxpayers should not provide their direct deposit or other banking information for others to input on their behalf into the secure portal.

...IRS is sending these payments automatically to retirees - no additional action or information is needed on their part to receive their payments.

...Where taxpayers receive calls, IRS instructs them not to engage with scammers or thieves. Taxpayers should not tell the caller that the taxpayer knows it's a scam or that he thinks he can beat them. Rather, IRS says, just hang up.

...If you receive a "check" in the mail "now," it's a fraud.

...Scammers are likely to:

- Emphasize the words "Stimulus Check" or "Stimulus Payment." The official term is economic impact payment.
- Ask the taxpayer to sign over their economic impact payment check to them.
- Ask by phone, email, text, or social media for verification of personal and/or banking information saying that the information is needed to receive or speed up their economic impact payment.
- Suggest that the taxpayer can get a tax refund or economic impact payment faster by working on the taxpayer's behalf. This scam could be conducted by social media or even in person.
- Mail the taxpayer a bogus check, perhaps in an odd amount, then tell the taxpayer to call a number or verify information online in order to cash it.

References: For tax return data security issues, see FTC 2d/FIN ¶ T-10164.4; United States Tax Reporter ¶61,034.0513.

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