



Welcome to *Trust Connection*, our monthly newsletter highlighting Trust news and information. Each month we will feature timely articles of interest.

About Us

At Halliday Private Trust, it is our mission to assist our clients in the process of providing solutions, specifically through a wide range of financial advice.

Since 1982, we have utilized a full spectrum of financial services to help our clients navigate every major hurdle in their financial lives. Because we are an independent financial services firm, we utilize an open architecture approach to locating the most suitable investment options for our clients.

Our role is to help clients make smart decisions about their money. We understand that each client has unique needs and requires personalized solutions based on their goals, objectives and concerns.

Dealing with the "Dirty Dozen"

Anyone can fall for schemes. Unfortunately, tax scams and abuse of financial information are becoming more prevalent, and the general public needs to remain constantly vigilant, as well as the elderly population, which is a common target for financial scams and abuse. Below are 12 of the most common schemes as identified by the Internal Revenue Service (IRS) in 2016.

IRS Dirty Dozen Tax Scams 2016¹

The IRS annually publishes its "Dirty Dozen" list of tax scams. This year, identity theft topped the list but phone scams and phishing schemes deserve special mention. Taxpayers need to guard against any ploys to steal their personal information, scam them out of money, or talk them into engaging in questionable behavior with their taxes. Many of these con games peak during filing season as people prepare their tax returns.

Here are this year's Dirty Dozen:

1. Identity Theft: Taxpayers need to watch out for identity theft, especially around tax time. The IRS continues to aggressively pursue criminals who file fraudulent returns using someone else's Social Security number. This leaves victims in the difficult position of proving their identities because a return was already filed in their name.
2. Phone Scams: Phone calls from criminals impersonating IRS agents remain an ongoing threat to taxpayers. The IRS has seen a surge of these phone scams in recent years as scam artists threaten taxpayers with police arrest, deportation, license revocation, among other things. IRS Commissioner John Koskinen says, "We continue to say if you are surprised to be hearing from us, then you're not hearing from us. There are many variations. The caller may threaten you with arrest or court action to trick you into making a payment." Koskinen adds, "Some schemes may say you're entitled to a huge refund. These all add up to trouble. Some simple tips can help protect you."

Below are five things that scammers often do but the IRS will not. Any one of these five things is a telltale sign of a scam.

The IRS will never:

- Call to demand immediate payment, nor will the agency call about taxes owed without first having mailed you a bill.
- Demand you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
- Require you to use a specific payment method for your taxes, such as a prepaid debit card.
- Ask for credit or debit card numbers over the phone.
- Threaten to bring in local police or other law-enforcement groups to have you arrested for not paying.

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If you get a phone call from someone claiming to be from the IRS and asking for money, below is what you should do.

If you don't owe taxes or have no reason to think that you do:

- Do not give out any information. Hang up immediately.
- Contact TIGTA to report the call at 800-366-4484.

If you know you owe or think you may owe taxes:

- Call the IRS at 800-829-1040. IRS workers can help you.

3. Phishing: Taxpayers need to be on guard against fake emails or websites looking to steal personal information. The IRS will never send taxpayers an email about a bill or refund out of the blue. Don't open an email claiming to be from the IRS. These also take the form of messages from your bank, internet service provider, or other organizations that may be familiar to you. The scammers often go to great lengths to make their emails and even websites look realistic. Keep an eye out for strange emails and websites that may be nothing more than scams to steal personal information.

4. Return Preparer Fraud: Be on the lookout for unscrupulous return preparers. The vast majority of tax professionals provide honest high-quality service. But there are some dishonest preparers who set up shop each filing season to perpetrate refund fraud, identity theft, and other scams that hurt taxpayers. Legitimate tax professionals are a vital part of the U.S. tax system.

5. Offshore Tax Avoidance: The recent string of successful enforcement actions against offshore tax cheats, by individuals or companies and the financial organizations that help them, shows that it's a bad bet to hide money and income offshore. Taxpayers are best served by coming in voluntarily and getting caught up on their tax-filing responsibilities. The IRS offers the Offshore Voluntary Disclosure Program (OVDP) to enable people to catch up on their filing and tax obligations.

6. Inflated Refund Claims: Taxpayers need to be on the lookout for anyone promising inflated refunds. Be wary of individuals who ask taxpayers to sign a blank return, promise a big refund before looking at their records, or charge fees based on a percentage of the refund. Scam artists use flyers, advertisements, phony storefronts, and word-of-mouth via community groups where trust is high to find victims.

7. Fake Charities: Be on guard against groups masquerading as charitable organizations to attract donations from unsuspecting contributors. Be wary of charities with names similar to familiar or nationally-known organizations. Contributors should take a few extra minutes to ensure their hard-earned money goes to legitimate and currently eligible charities. IRS.gov has the tools taxpayers need to check out the status of charitable organizations. Charity names and reputations can also be vetted at Charity Navigator, Charity Watch, and GuideStar, or consider contacting the state agency that regulates charities. These fakes often arise following disasters where people desire to help, which helps the fakes make sense of being "new" and not having a background or reputation.

8. Falsely Padding Deductions on Returns: Taxpayers should avoid the temptation of falsely inflating deductions or expenses on their returns to under-pay what they owe or possibly receive larger refunds. Think twice before overstating deductions such as charitable contributions and business expenses or improperly claiming such credits as the Earned Income Tax Credit or Child Tax Credit.

9. Excessive Claims for Business Credits: Avoid improperly claiming the fuel tax credit, a tax benefit generally not available to most taxpayers. The credit is generally limited to off-highway business use, including farming. Taxpayers should also avoid misuse of the research credit. Improper claims generally involve failures to participate in or substantiate qualified research activities and/or satisfy the requirements related to qualified research expenses.

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Call us today at (800) 786-1598 to learn more about working with Halliday Private Trust.

For information and assistance, please feel free to contact one of our Trust Advisors:

- Michael F. Fleming, Esq.
- Sean S. Mohammadi

10. Falsifying Income to Claim Credits: Don't invent income to erroneously qualify for tax credits, such as the Earned Income Tax Credit. Scam artists have been known to talk taxpayers into doing this. Taxpayers are best served by filing the most accurate return possible because they are legally responsible for what is on their return. This scam can lead to taxpayers facing big bills to pay back taxes, interest, and penalties. In some cases, they may even face criminal prosecution.

11. Abusive Tax Shelters: Don't use abusive tax structures to avoid paying taxes. The IRS is committed to stopping complex tax avoidance schemes and the people who create and sell them. The vast majority of taxpayers pay their fair share, and everyone should be on the lookout for people peddling tax shelters that sound too good to be true. When in doubt, taxpayers should seek an independent opinion regarding complex products they are offered.

12. Frivolous Tax Arguments: Don't use frivolous tax arguments in an effort to avoid paying tax. Promoters of frivolous schemes encourage taxpayers to make unreasonable and outlandish claims even though they are wrong and have been repeatedly thrown out of court. While taxpayers have the right to contest their tax liabilities in court, no one has the right to disobey the law or disregard their responsibility to pay taxes. The penalty for filing a frivolous tax return is \$5,000.

Summary

Where there is money, con artists will be there to see how they can profit. Don't let your clients, family, friends, or neighbors be one of their victims. As a trained professional, let your clients know exactly who you are, how you work, and what to watch out for when working with others.

¹Information on the IRS "Dirty Dozen" comes from <https://www.irs.gov/uac/newsroom/irs-wraps-up-the-dirty-dozen-list-of-tax-scams-for-2016>.

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