

First-Time Fraudsters

A tax credit so silly even a four-year-old can exploit it.

It's hard not to laugh when viewing the results of the federal first-time home-buyer tax credit. The credit, worth up to \$8,000 for the purchase of a home, has only been available since April of last year. Yet news of the latest taxpayer-funded mortgage scam has traveled fast, says the Wall Street Journal.

For example:

- The Treasury's inspector general for tax administration, J. Russell George, recently told Congress that at least 19,000 filers hadn't purchased a home when they claimed the credit.
- For another 74,000 filers, claiming a total of \$500 million in credits, evidence suggests that they weren't first-time buyers.

Among those claiming bogus credits, at least some of them were definitely first-timers, says the Journal:

- The credit has already been claimed by 500 people under the age of 18, including a four-year-old.
- This pre-K housing whiz was likely the buyer because his parents make too much to qualify for the full credit, which starts to phase out at \$150,000 of income for couples, \$75,000 for singles.

As a "refundable" tax credit, it guarantees the claimants will get cash back even if they paid no taxes. A lack of documentation requirements also makes this program a slow pitch in the middle of the strike zone for scammers. The Internal Revenue Service and the Justice Department are pursuing more than 100 criminal investigations related to the credit, and the IRS is reportedly trying to audit almost everyone who claims it this year.

The program is set to expire at the end of November, so naturally given its record of abuse, Congress is preparing to extend it, says the Journal. Republican Senator Johnny Isakson of Georgia is so pleased with the results that he wants to expand the program beyond first-time buyers and double the income limits.

Source: Editorial, "First-Time Fraudsters; A tax credit so silly even a four-year-old can exploit it," Wall Street Journal, October 29, 2009.