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FOXN

Insight Beyond the Numbers

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VOLUME 1 • ISSUE 1
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COVER STORY

When Tax Preparation Becomes Tax Fraud

Inside a $6.48 million tax fraud case, the lessons for taxpayers, and the professional safeguards that prevent false deductions.



FEATURED STORIES



01

Tax Law Spotlight: SALT Deduction 2026

Understanding the $40,400 limit and phase-down rules.



02

Practitioner Corner:

Applying the SALT phaseout in real client scenarios.



03

Fraud Prevention:

Why substantiation and professional skepticism matter.

INSIGHTS | PRACTICAL GUIDANCE | REGULATORY UPDATES | REAL-WORLD PERSPECTIVES

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FROM THE EDITOR

Building a More Informed and Compliant Tax Culture

Why this newsletter, and what you can expect

The tax landscape is constantly evolving, and the consequences of mistakes—intentional or unintentional—can be significant. At FOXN by SHAMIM CPA, our mission is to help taxpayers, business owners, and fellow professionals navigate this complexity with clarity and confidence.

Each month, we deliver accurate, up-to-date information, practical insights, and real-world examples on important tax law developments, compliance requirements, and enforcement trends. Our goal is to translate complex topics into clear, actionable guidance that you can apply in your business, practice, or personal tax planning.

This first issue focuses on tax fraud prevention, the 2026 SALT deduction limit, and lessons from the recent federal case involving a tax preparer who filed more than 1,700 false returns.

We also highlight best practices and professional safeguards that can help reduce risk, strengthen compliance, and support better decision-making. Whether you are filing a personal return, managing a business, or advising clients, we hope FOXN becomes a trusted resource for staying informed and prepared.

Thank you for being a part of our community. We welcome your feedback and ideas for future topics, and we look forward to bringing you insights that matter.

William Brosnick

William Brosnick
Editor | FOXN by SHAMIM CPA

> A more informed taxpayer is a better protected taxpayer. Our goal is to help you navigate tax rules with clarity, confidence, and real-world insight.
>
> — William Brosnick, Editor



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Informed taxpayers make better decisions.
With the right information, you can navigate tax rules with clarity, confidence, and peace of mind.

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FRAUD PREVENTION

A Bigger Refund. But at What Cost?

Why accurate records, professional skepticisim, and effective due diligence are the first lines of defense against tax fraud.



A taxpayer receives an unusually large refund. The tax preparer is praised for finding deductions others supposedly missed. Everything appears successful—until the IRS asks for supporting documents.

The reported business does not exist. The medical expenses cannot be substantiated. The charitable contributions were never made.

This is not merely a hypothetical concern. In August 2026, Ann Quach, a California tax preparer, was sentenced to 27 months in federal prison and ordered to pay $6,481,731 in restitution for preparing 1,734 false federal income tax returns between 2011 and 2024. The case demonstrates how fabricated business losses and false deductions can become part of a prolonged tax fraud scheme.

The lesson is clear: tax fraud prevention must begin before a return is filed—not after an audit notice arrives.

The Role of Professional Due Diligence

Tax preparers may generally rely in good faith on information provided by clients. However, professional standards require appropriate follow-up when information appears incorrect, incomplete, or inconsistent.

A preparer is not expected to independently audit every client's finances. Nevertheless, the preparer must not disregard information that raises reasonable questions about the accuracy of a return.

If significant concerns remain unresolved, the questionable deduction should not be included merely to complete the filing. A tax benefit must follow the facts—not the other way around.

COMMON WARNING SIGNS

Business losses without verification
Recurring losses with no clear business activity or supporting records.

Medical deductions without support
Unusually large expenses with no receipts or evidence of eligibility.

Charitable contributions in question
Large donations without proper documentation or qualifying receipts.

Refund amounts that seem inconsistent
A refund that does not align with income, withholding, or financial circumstances.

Pressure to claim unsupported deductions
A client requests deductions because another preparer promised a larger refund.

A PRACTICAL EXAMPLE: THE UNSUPPORTED BUSINESS LOSS

Consider a taxpayer with the following information:

Description	Amount
W-2 employment income	$85,000
Claimed Schedule C revenue	$3,000
Claimed Schedule C expenses	$38,000
Reported business loss	**$35,000**

The taxpayer states that the business operated part-time but cannot provide a satisfactory explanation of the reported expenses.

Professional considerations:

- Confirm the business activity, revenue, and customers.
- Review the business purpose of significant expenses.
- Consider whether the activity is conducted for profit.
- Identify any applicable deduction limitations.

If documentation and explanations establish the claimed amounts, the deduction may be allowable under the relevant rules. If the business or expenses cannot be substantiated and material questions remain unresolved, the preparer should not include the loss.

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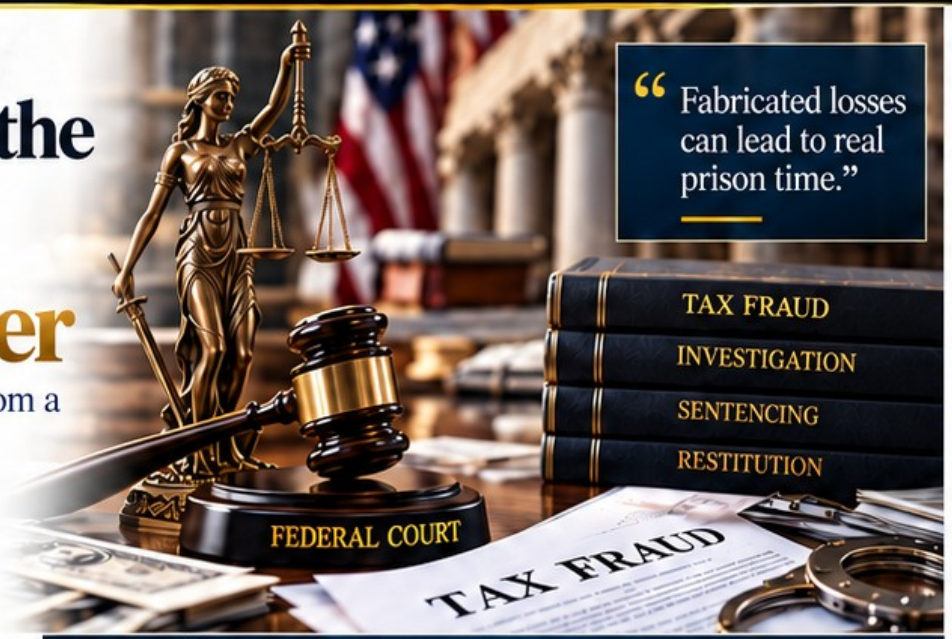
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FEATURED CASE

Ann Quach and the $6.48M Restitution Order

Key lessons for taxpayers and preparers from a major federal tax fraud case.



> "Fabricated losses can lead to real prison time."

Between 2011 and 2024, Ann Quach, a California tax preparer, prepared 1,734 false federal income tax returns. She claimed fabricated business losses and false deductions, causing multi-million losses to the United States Treasury.

On August 6, 2026, Quach was sentenced to 27 months in federal prison and ordered to pay $6,481,731 in restitution to the IRS.

This case highlights how unsupported deductions can escalate into a large-scale criminal scheme, and why proper documentation, due diligence, and professional judgment are essential in tax preparation.

Case Timeline

2011 – 2024
1,734 false federal income tax returns prepared.

Investigation
IRS Criminal Investigation examined the scheme.

August 6, 2026
Sentenced to 27 months in federal prison.

Restitution
Ordered to pay $6,481,731 to the IRS.

WHAT WENT WRONG?

Fabricated business losses
Quach claimed false Schedule C losses without a real business activity.

Unsupported deductions
She claimed medical expenses and charitable contributions without proper documentation.

Multiple false returns
A total of 1,734 false federal tax returns were prepared between 2011 and 2024.

Multi-million tax loss
The false-return scheme caused multi-million losses to the U.S. Treasury.

Criminal conviction
She was sentenced to 27 months in federal prison and ordered to pay $6,481,731 in restitution.

HOW THE SCHEME WORKED

Clients recruited
Quach prepared returns for multiple clients.

→

False information added
Fabricated business losses and unsupported deductions were claimed.

→

Reduced tax liability
The false claims artificially reduced tax liability and often increased refunds.

→

Losses to Treasury
The scheme caused substantial losses to the U.S. Treasury.

KEY LESSONS FOR TAXPAYERS AND PREPARERS

1. Ensure every deduction has a legitimate basis and supporting documentation.
2. Verify business activity, revenue, and expenses for Schedule C claims.
3. Maintain receipts and records for medical expenses and charitable contributions.
4. Be cautious of unusually large refunds or inconsistent financial information.
5. Professional judgment and due diligence can help prevent serious consequences.

LARGER IMPLICATIONS

For taxpayers
Filing a return with false information can lead to audits, penalties, and criminal charges.

For preparers
Assisting in a false return can result in loss of credentials, fines, and imprisonment.

For the tax system
Cases like this undermine public confidence and increase enforcement efforts.

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TAX LAW SPOTLIGHT

2026 SALT Cap: $40,400 with Phase-Down

What taxpayers and preparers need to know about the new limits, thresholds, and planning considerations.



> "A higher SALT cap offers relief, but the phase-down can significantly reduce the allowable deduction for higher-income taxpayers.

HOW THE PHASE-DOWN WORKS

Base cap (2026)	Threshold (MAGI)	Reduction	Minimum limit
$40,400	**$505,000**	**30%**	**$10,000**
Maximum SALT deduction before phase-down.	Phase-down starts when MAGI exceeds $505,000.	The limit is reduced by 30% of the amount exceeding the threshold.	The deduction cannot be less than $10,000.

EXAMPLE CALCULATIONS (SINGLE TAXPAYER)

Example	MAGI	Excess over $505,000	30% Reduction	Allowable SALT Deduction (2026)	Notes
A	$400,000	$0	$0	**$40,400**	Below threshold. Full cap available.
B	$600,000	$95,000	$28,500	**$11,900**	$40,400 – $28,500.
C	$800,000	$295,000	$88,500	**$10,000**	Phase-down results in minimum limit.

WHICH TAXES QUALIFY?

Qualifying state and local taxes

- State and local income taxes
- Real property taxes (property taxes)
- State and local general sales taxes (in place of income taxes—not both)
- Value-based, annually imposed state or local personal property taxes (ad valorem taxes)

Not qualifying

- Federal income taxes
- Vehicle registration fees not based on value (e.g., flat annual fees)
- Fines and penalties
- Amounts paid for local benefits (unless treated as a tax)

ADDITIONAL CONSIDERATIONS

Other itemized deductions
The overall itemized deduction may also be affected by the high-income limitation for 2026.

State tax planning
Review the mix of income vs. sales tax based on your state's rules and your expected MAGI.

Record keeping
Maintain proper documentation for all state and local taxes claimed.

KEY TAKEAWAYS

Higher cap for 2026
The general SALT limit increased from $40,000 in 2025 to $40,400 in 2026.

Phase-down applies
The limit is reduced by 30% of the amount your MAGI exceeds $505,000, with a minimum limit of $10,000.

Income or sales tax (not both)
You may deduct either state and local income taxes or state and local general sales taxes, not both.

Itemize to claim
The SALT deduction is available only if you itemize deductions on Schedule A.

Plan ahead
Higher-income taxpayers may face a reduced SALT deduction due to the phase-down.

REAL-WORLD IMPACT



The higher $40,400 SALT cap provides meaningful relief for many taxpayers, particularly those in high-tax states. However, the phase-down can significantly reduce the allowable deduction for higher-income households. Careful planning and accurate calculations are essential to maximize the benefit.

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PRACTITIONER CORNER

Step-by-Step SALT Deduction Calculation

A practical example to understand the 2026 SALT rules and how the phase-down works.



WORKED EXAMPLE: MARRIED FILING JOINTLY (2026)

1 Total qualifying taxes paid

State income tax: $30,000
Property tax: $15,000

Total SALT paid: $45,000

2 2026 SALT baseline limit

Base SALT cap (for 2026):
$40,400

3 Compute excess MAGI

Taxpayer's MAGI: **$600,000**
Threshold: $505,000

Excess MAGI: $95,000

4 Calculate phase-down and adjusted ceiling

Phase-down amount:
30% × $95,000
= **$28,500**

Adjusted SALT ceiling:
$40,400 − $28,500
= **$11,900**
(not below $10,000)

5 Allowable SALT deduction

Lesser of total qualifying taxes or adjusted ceiling:
min($45,000, $11,900)
= **$11,900**

KEY POINTS

2026 SALT deduction rules
The SALT deduction limit is $40,400 for 2026, subject to a 30% phase-down starting at $505,000 MAGI, with a minimum limit of $10,000.

Income or sales tax (not both)
You may deduct either state and local income taxes or state and local general sales taxes, not both.

Eligible taxes
Includes state and local income taxes, real property taxes, and state and local general sales taxes (if elected).

Itemize to claim
The SALT deduction is available only if you itemize deductions on Schedule A.

COMMON MISTAKES TO AVOID

- **Claiming income and sales taxes together.** You can deduct either eligible state and local income taxes or general sales taxes, not both.
- **Ignoring the phase-down.** The $40,400 limit is reduced by 30% of MAGI above $505,000 (with a minimum limit of $10,000).
- **Failing to itemize.** SALT is available only if you itemize deductions on Schedule A.
- **Not documenting taxes.** Keep valid state and local tax documents (e.g., Forms W-2, 1099, property tax bills, or sales tax records).
- **Including ineligible items.** Certain fees, penalties, and non-qualifying taxes are not deductible.

KEY TAKEAWAYS

1. **Understand the numbers.** Know your total qualifying taxes, the $40,400 base limit, and how the phase-down works.
2. **Check eligibility.** Confirm which taxes qualify and whether you itemize on Schedule A.
3. **Plan ahead.** Higher-income taxpayers may face a significantly reduced SALT deduction.
4. **Keep good records.** Maintain proper documentation to support your deduction in case of an audit.
5. **Seek professional advice.** Complex situations may require expert guidance.

REAL-WORLD IMPACT



The 2026 SALT rules provide relief for many taxpayers, but the phase-down can significantly reduce the deduction for higher-income households. Understanding the calculation helps you make informed decisions and plan your overall tax strategy.

Illustrative federal Schedule A calculation; other itemized-deduction limits may apply.

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COMPLIANCE TIPS

Keep Better Tax Records

Good documentation is your best defense. It supports your deductions, reduces audit risk, and helps you respond quickly to IRS requests.

Whether you are an individual taxpayer, a small business owner, or a professional preparer, maintaining complete and accurate records is essential. The IRS requires taxpayers to substantiate income, deductions, credits, and other items on their return.

Well-organized records not only make tax filing easier but also give you peace of mind if your return is ever examined.



> *"Accurate records today can save you from costly problems tomorrow."*

WHAT RECORDS TO KEEP

Income records
W-2s, 1099s, K-1s, bank statements, and other evidence of income.

Deduction records
Receipts, invoices, payment records, and contemporaneous logs (e.g., for business use, travel, and charitable contributions).

Asset records
Purchase and sale documents for property, records of improvements, and depreciation schedules (e.g., MACRS).

Correspondence
Keep copies of all notices, letters, and communications with the IRS and state tax authorities.

BEST PRACTICES

1. Keep records organized (digital and physical).
2. Maintain contemporaneous documentation.
3. Reconcile records with bank and credit card statements.
4. Retain supporting documents for all deductions and credits.
5. Consider using accounting software or cloud storage for easy access.

COMMON MISTAKES

- Failing to keep receipts or proper documentation.
- Relying only on bank statements without detailed records.
- Not substantiating business use or travel expenses.
- Discarding records too early.
- Ignoring IRS notices or failing to respond on time.

KEY TAKEAWAY

Good records are not just a compliance requirement — they are a valuable tool that protect you, support your tax positions, and give you confidence in case of an audit.

RECORD RETENTION GUIDELINES

3 YEARS — General rule
Keep records for at least 3 years from the date you file your return or the due date, whichever is later.

6 YEARS — Substantial understatement
Keep records for 6 years if you understate your gross income by more than 25%.

7 YEARS — Worthless securities or bad debts
Keep records for 7 years for claims involving worthless securities or a bad debt deduction.

Indefinite — No return or fraud
Retain records indefinitely if you did not file a return or filed a fraudulent return. Substantial underreporting generally follows the 6-year rule.

REAL-WORLD IMPACT



Taxpayers with organized and well-documented records are better prepared to defend their deductions, respond to IRS inquiries, and avoid penalties. Proper recordkeeping saves time, reduces stress, and can significantly lower the risk and cost of an audit.

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SHAMIM CPA INSIGHT

The Power of Integrated Expertise

In today's complex financial landscape, true excellence requires a rare synthesis of critical domains. Financial success is not achieved through isolated checklists; it is forged through trust, reliability, and a comprehensive understanding of the global landscape. This is the philosophy that drives SHAMIM CPA.



The Perfect Skill Set for the Financial Battlefield

Academic Rigor
Deep theoretical grounding to inform proactive strategy.

Strategic Execution
The ability to translate complex tax law into actionable business steps.

A Detective's Eye
Meticulous attention to detail to uncover hidden risks and ensure compliance.

Global Perspective
Acute awareness of cross-border implications and opportunities for our international clients.

Professional Excellence



When complexity rises and risks are hidden, trust is the ultimate currency. Compliance with rules and regulations is the baseline—it is simply our way of doing business. What truly sets our firm apart is a blended, multi-level approach that fuses advanced academic education with decades of real-world experience.

We move beyond basic compliance to build rock-solid trust. We do not rely on advertising gimmicks or empty promises. Instead, we create value through rigorous analysis and unwavering professional ethics, ensuring total confidence with every interaction.

NEXT ISSUE

November 2026

Year-End Tax Planning Strategies for 2026



- Key tax changes to consider
- Planning opportunities for individuals and small businesses
- Retirement contributions and deductions
- Year-end checklist and action steps

KEY TAKEAWAYS FROM THIS ISSUE

1. **2026 SALT Deduction Rules**
   Higher limit with phase-down starting at $505,000 MAGI.
2. **Federal Tax Fraud Case**
   Key lessons and red flags for taxpayers and practitioners.
3. **Fraud Prevention Strategies**
   Internal controls and documentation best practices.
4. **Who May Be Affected**
   Individuals, business owners, and high-income taxpayers.
5. **Practical Guidance**
   Actionable steps to stay compliant and better prepared.

THANK YOU TO OUR READERS

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FOR READING FOXN

We sincerely appreciate your time, trust, and continued engagement. Our goal is to bring you practical, timely, and thought-provoking insight on tax, accounting, and advisory matters that help you navigate an ever-changing world with greater clarity and confidence.

> *At SHAMIM CPA, we don't just calculate the numbers. We provide the insight to help you navigate them.*
> — Md Shamimul Hasan, CPA

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