

## **Tax Debt Firm to Pay \$1.5M in Restitution**

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By WebCPA staff

JK Harris, a firm that advertises its ability to help taxpayers solve their problems with the Internal Revenue Service for pennies on the dollar, has agreed to pay \$1.5 million in restitution to former clients and change its advertising as part of an agreement with attorneys general in 18 states.

Attorney General Martha Coakley of Massachusetts and 17 other AGs signed a consent judgment with the Charleston, S.C.-based firm and its president, John K. Harris. Coakley had filed a complaint saying the firm did not assist its clients as advertised and would not give them refunds when clients complained that services were never completed.

"This company took advantage of people who paid for tax assistance and, in some instances, profited by taking their money and not giving them any help at all," said Coakley in a statement.

The complaint alleged that JK Harris regularly advertised that it could help people who owed back taxes by filing an offer in compromise on their behalf and clients would only have to pay a small percentage of what they owed. However, the firm charged money up front for the service without actually determining if clients qualified for an OIC or while knowing that they did not qualify. In many cases, according to the complaint, JK Harris did not even apply to the IRS to assist clients as promised, but still refused to give clients their money back.

The firm also claimed that it had veteran ex-IRS agents, CPAs, lawyers, enrolled agents, and tax, financial, and small business professionals, but the complaint alleged that the individuals handling the cases did not fit that description and did not have tax expertise. Most offices were staffed by sales representatives. To meet with an employee for help with a tax problem, a client would have to travel to Charleston.

Under the terms of the consent judgment, the firm must make clearer disclosures to clients and refund their money if it is not able to work out a compromise with the IRS. The firm must also tell consumers under what circumstances they might qualify to reach a compromise with the IRS on back taxes and provide an accurate percentage of how many OICs the IRS accepts. JK Harris must also refund money to its clients if the IRS does not accept their case. JK Harris also agreed to other reforms in its advertising and sales practices and is barred from offering or performing credit repair services.

"We are pleased that we have been able to reach an agreement with the states," said Harris in a statement. "We have made every effort to cooperate with them and believe the agreement we have reached will make our company and our industry stronger. We deny any wrongdoing in the settlement agreements, but believe that because this has been a long and exhaustive process, it is in the best interest of the company and our fledgling industry to enter into this agreement. For the first time in the short history of our industry, we now have a set of guidelines for advertising and operating."