The Net Tightens: Why Tax Preparers, Tax Shelter Promoters, and PPP Fraud Are Driving 2026's Criminal Tax Enforcement Surge

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If you thought federal investigators had moved on from pandemic-era relief fraud, or that the IRS was too bogged down to police shady tax preparers or tax shelter promoters, 2026 is proving otherwise.

Over recent months, a distinct and aggressive pattern has emerged in federal white-collar enforcement when it comes to criminal tax enforcement: IRS Criminal Investigation (IRS-CI) and the Department of Justice (DOJ) Fraud Enforcement Division (Fraud Division) have sharply focused their crosshairs on tax return preparers, tax shelter promoters and employment-based Paycheck Protection Program (PPP) tax fraud.

Here are just a handful of recent examples:

Texas Man Sentenced to Prison for Promoting Abusive Tax Shelter (Sept. 11, 2026)

A Texas man was sentenced to 60 months in prison for promoting an abusive tax shelter to business owners around the country.

Hawaii Couple Sentenced to Prison for Roles in Nationwide Tax Refund Fraud Conspiracy (Sept. 10, 2026)

A Hawaii husband and wife were sentenced to 16 months and 24 months in prison, respectively, for their roles in a nationwide tax fraud scheme that involved deceiving the IRS into issuing a nearly $200,000 tax refund and then using shell bank accounts and frivolous legal filings to prevent the government from getting it back.

Nevada Man Sentenced to Prison for False Tax Return Schemes (Sept. 2, 2026)

A Nevada tax preparer was sentenced to 60 months in prison for operating two false tax return schemes.

Michigan Man Pleads Guilty in $7M Tax Fraud Scheme (Sept. 2, 2026)

A Michigan man pleaded guilty to filing a false claim in connection with his $7 million scheme to defraud the IRS.

Oregon Man Sentenced to Prison for Tax Crimes and Other Fraud (Aug. 25, 2026)

An Oregon man was sentenced to 42 months in prison for tax evasion, employment tax crimes, bank fraud involving fraudulent PPP and EIDL applications, wire fraud and aggravated identity theft.

Tennessee Woman Charged with Preparing False Tax Returns (July 7, 2026)

A federal grand jury returned an indictment charging a Memphis woman with preparing false tax returns for others and willfully failing to file her own tax returns.

Missouri Business Owner (April 2026)

Owner of two Missouri LLCs pleaded guilty to wire fraud for fraudulently obtaining two PPP loans totaling approximately $92,233.

Colorado Identity Theft Fraud Ring (April 2026)

An Atlanta, Georgia man was sentenced to seventeen years in prison for leading a fraud ring that allegedly applied for more than $90 million in government benefits and stole over $7.6 million from the PPP, Economic Injury Disaster Loan program, multiple state unemployment insurance programs, and tax refunds.

Fresno Trucking Company Owner (March 2026)

A Fresno, California man was sentenced to fourteen months in prison and ordered to pay a $100,000 criminal fine after pleading guilty to theft of government property for obtaining over $1 million in PPP loans by falsifying employee records and inflating wages for two family-operated trucking businesses.

Illinois Tax Preparer (March 2026)

An Illinois tax preparer was sentenced to ten years in prison and ordered to pay $14 million in restitution for submitting more than 1,500 fraudulent PPP loan applications that caused the government to disburse at least $14 million.

Why the Criminal Tax Enforcement Focus Shift in 2026?

It appears that no one can write about criminal tax enforcement without mentioning advanced data-matching tools. The IRS has long touted that advances in data analytics make it easier for the government to identify inconsistencies between tax returns, bank records, payroll filings, and third-party reporting. When you take that data and add in the new Fraud Division and the even newer National Fraud Detection Center (a multi-agency lead-development and information-sharing group designed to root out fraud on the government), the result is arguably a "super-charged centralized enforcement unit" that can, faced with an undeniable post-2025 reduction in workforce, the ability to make a bigger impact on criminal tax activity by focusing on going after fraud facilitators.

Fraudulent Return Preparers and Shelter Promoters

The logic for DOJ's focus on return preparers is simple: cutting off the crooked preparer stops hundreds or thousands of fraudulent returns at once. Additionally, since deterrence is a main focus of IRS CI, going after preparers who can often be involved in schemes worth millions of tax dollars can have real-world consequences as evidenced by the above Illinois tax preparer who was sentenced to ten years in prison and ordered to pay $14 million in restitution and the 60-month sentence imposed on the Texas man convicted of promoting an abusive tax shelter.

Employment-based PPP Fraud and Employment Tax Fraud

Many business owners mistakenly assumed that because the Paycheck Protection Program closed years ago, to the extent that there was any misconduct, they were in the clear. However, Congress granted a 10-year statute of limitations for PPP fraud, and federal agencies have not been shy about using every bit of that window. Investigating improperly obtained or forgiven PPP loans makes it natural for the IRS to cross-reference data that opens the door for the possibility of investigating employment tax fraud.

This brings us back to the use of data analytics. To be sure, the IRS is deploying sophisticated algorithms to cross-reference PPP loan applications directly against historically submitted quarterly payroll tax filings (Form 941) and W-2 data. After that, it's simple math. For example, if an employer claimed they had 50 employees on a PPP application, but their payroll taxes only showed 5, the next step is to open a criminal tax investigation. According to IRS records, from fiscal year 2023 through fiscal year 2025, IRS-CI opened 1,006 employment tax evasion cases totaling $1.4 billion in alleged fraud.

The Power of Bank Secrecy Act Data and Whistleblowers

Don't assume that simply because FinCEN, in August of this year, permanently ended the beneficial ownership reporting requirements under the Corporate Transparency Act and announced that it would permanently remove previously reported information from the beneficial ownership database that IRS-CI's use of Bank Secrecy Act (BSA) data to open criminal investigations has declined. On the contrary, the wave of employment tax fraud investigations and ensuing indictments in 2026 is tied to IRS-CI's use of BSA data. According to recent IRS-CI data, nearly two-thirds of the opened employment tax evasion cases are directly supported by BSA data.[i] When businesses shuffle pandemic funds or hidden payroll into personal accounts to buy luxury items, financial institutions flag this conduct and it is fair to assume that such activity will result in Suspicious Activity Reports (SARs). Here's a picture to make the point:

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[Suspicious Activity Reports (SARs)] + [IRS Form 941 Cross-Referencing]
                              |
                              ▼
            [IRS-CI Data Analytics Engine]
                              |
                              ▼
        [DOJ National Fraud Enforcement Division]
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Furthermore, the launch of centralized IRS reporting tools like the IRS Submit a Tip portal and aggressive whistleblower award programs (offering up to 30% of recovered funds) have incentivized disgruntled former employees, partners, and competitors to hand over evidence.

The Takeaway for 2026 and Beyond

The structural landscape of federal enforcement has shifted. With the DOJ routing tax crimes into its broader, highly aggressive Fraud Division, prosecutors are stacking wire fraud, bank fraud, and identity theft charges on top of standard tax violations.

The overriding lesson of 2026 is that time does not heal federal non-compliance. Going into 2027, there's also a saying that "there is a time for everything". The IRS's anticipated release of a new voluntary disclosure program may be one of those things to consider in consultation with a qualified and experienced tax attorney.

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[i] https://www.irs.gov/compliance/criminal-investigation/irs-ci-data-shows-bsa-filings-are-used-in-nearly-all-its-investigations