

# IRS News Release

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## **IRS REISSUES CONSUMER WARNING ON IDENTITY THEFT SCHEME; SCHEME NOW TARGETING CARIBBEAN**

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WASHINGTON – The Internal Revenue Service has renewed its warning about a fraudulent scheme targeting non-resident aliens who have income from a United States source. The IRS has seen signs the scheme is spreading in the Caribbean area.

Caribbean countries in which this scheme has surfaced include Barbados, Puerto Rico, Tobago, Trinidad and the Turks & Caicos Islands. Earlier this year, the scheme appeared in South America and Europe.

The scheme uses fictitious IRS correspondence and an altered IRS form in an attempt to trick the foreign persons into disclosing their personal and financial data. The information fraudulently obtained is then used to steal the taxpayer's identity and financial assets. The practice is called "phishing" for information.

"Phishing' in Caribbean waters for valuable information from potential victims is an old scam in a new place," said IRS Commissioner Mark W. Everson. "Taxpayers should be wary of strangers trying to obtain sensitive personal information, whether it's in person, over the phone, through the mail or over the Internet."

Generally, identity thieves use someone's personal data to steal his or her financial accounts, run up charges on the victim's existing credit cards, apply for new loans, credit cards, services or benefits in the victim's name and even file fraudulent tax returns.

In this particular scam, an altered IRS Form W-8BEN, "Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding," is sent with correspondence purportedly from the IRS to non-resident aliens who have invested in U.S. property, such as securities or bonds, and therefore have U.S.-sourced income. The correspondence claims that the recipient will be taxed at the maximum rate unless the requested personal and financial data is entered onto the form and the form is faxed to the phone number contained in the correspondence.

The correspondence's threat is baseless. In reality, the rate at which a non-resident alien pays tax to the U.S. depends on the terms of the tax treaty the U.S. has with the foreign person's country.

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There are about 2.5 million non-resident aliens who receive U.S.-sourced income, based on the number of Forms 1042-S that were issued last year. The 1042-S is used to report the amount of U.S. income a non-resident alien earned in that year and the taxes that were withheld.

The phony W-8BEN form asks the recipient for detailed personal and financial information, such as:

- Date of birth
- Social Security number
- Passport number
- Bank name
- Account number, type and date opened
- E-mail address
- Profession
- Day-time phone number
- How often the recipient visits the U.S.
- Information on the recipient's spouse, children and parents

There is a legitimate IRS Form W-8BEN, which is used to establish the non-resident alien's foreign status and to determine whether the foreign person is subject to withholding of taxes. However, the genuine IRS Form W-8BEN does not ask for any of the personal information above, except, in some cases, for a Social Security or IRS-generated Taxpayer Identification Number.

In addition, genuine Forms W-8BEN are sent to the recipients by their financial institution, not by the IRS. The financial institution — whether bank, brokerage firm, insurance company or other — acts as the non-resident alien's withholding agent for any income subject to U.S. income tax that the foreign person received from a U.S. source. The W-8BEN is used by the financial institution to establish the appropriate tax withholding or to determine whether their customers meet the criteria for remaining exempt from tax reporting requirements.

The real Form W-8BEN can be found on the IRS's Web site at [www.irs.gov](http://www.irs.gov) in the "Forms and Publications" section.

The Treasury Inspector General for Tax Administration investigates a wide variety of offenses, including identity theft related to tax administration. TIGTA has already received a number of complaints from targets of this scheme and has opened an investigation. Non-resident aliens who have received a fraudulent letter and form should report this to TIGTA by calling the toll-free fraud referral hotline at 1-800-366-4484, faxing a complaint to 202-927-7018 or writing to the TIGTA Hotline, P.O. Box 589, Ben Franklin Station, Washington, D.C. 20044-0589. TIGTA's Web site is located at [www.ustreas.gov/tigta](http://www.ustreas.gov/tigta).