# Refund Crimes

IRS Criminal Investigation

# Overview

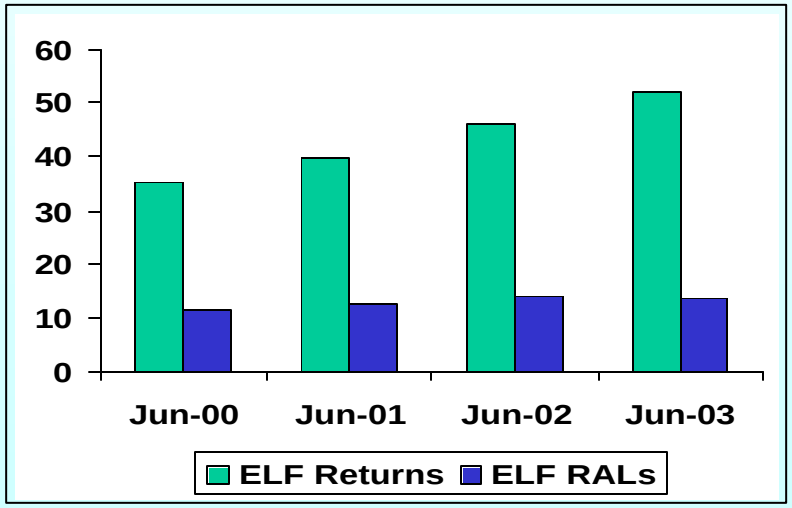
- CI Strategic Planning
  - “Back To Tax!”
- Statistical Overview
- Refund Crimes

# Emphasis Areas

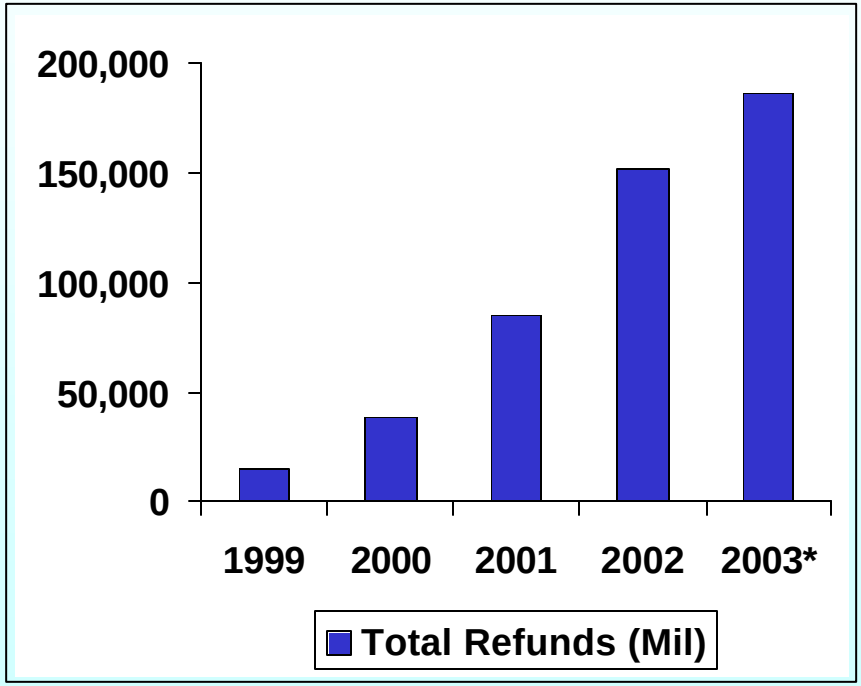
- e-file Fraud
- Questionable Refund Program
- Return Preparer Program
- Strategy to Deal with Schemes
  - Fraud Detection Centers
  - Private Sector Fraud Controls
  - Public Awareness

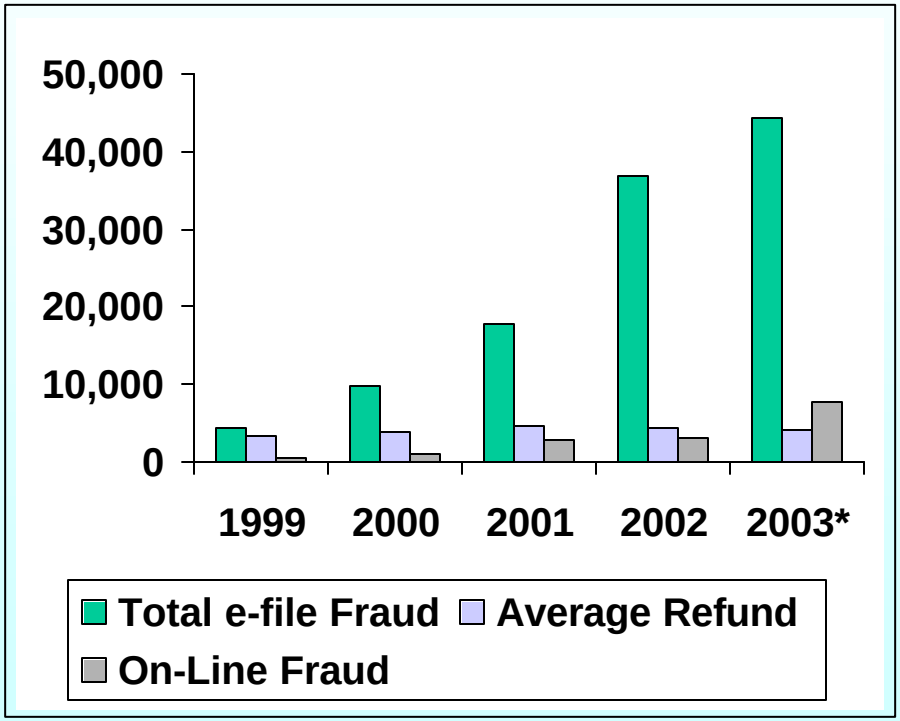
# Fraudulent e-file Returns

- Total e-filed Returns for 2003 Up 12.5%
- Total e-filed RALs for 2003 Down 2.8%
- Fraudulent Return Ratios
  - 1 in 4789 (Jun-00)
  - 1 in 3185 (Jun-01)
  - 1 in 2381 (Jun-02)
  - 1 in 1174 (Jun-03)



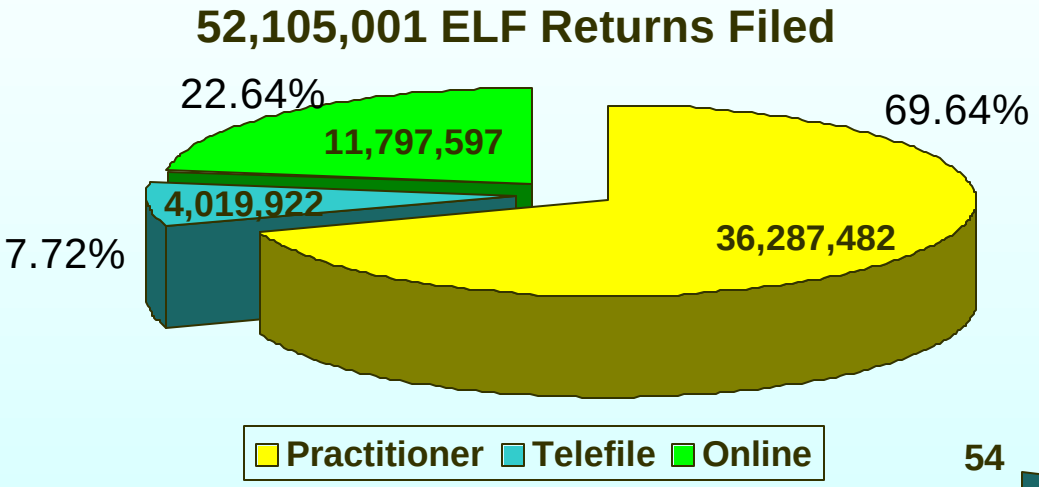
# Refunds on Fraudulent e-file Returns

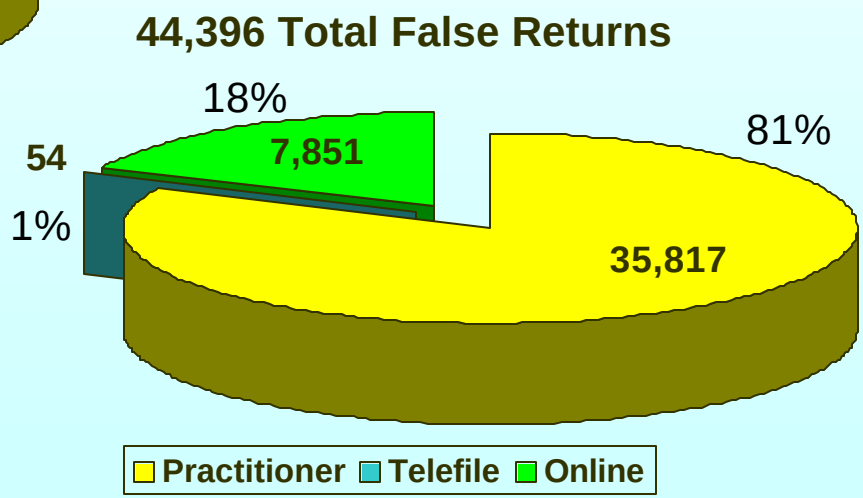


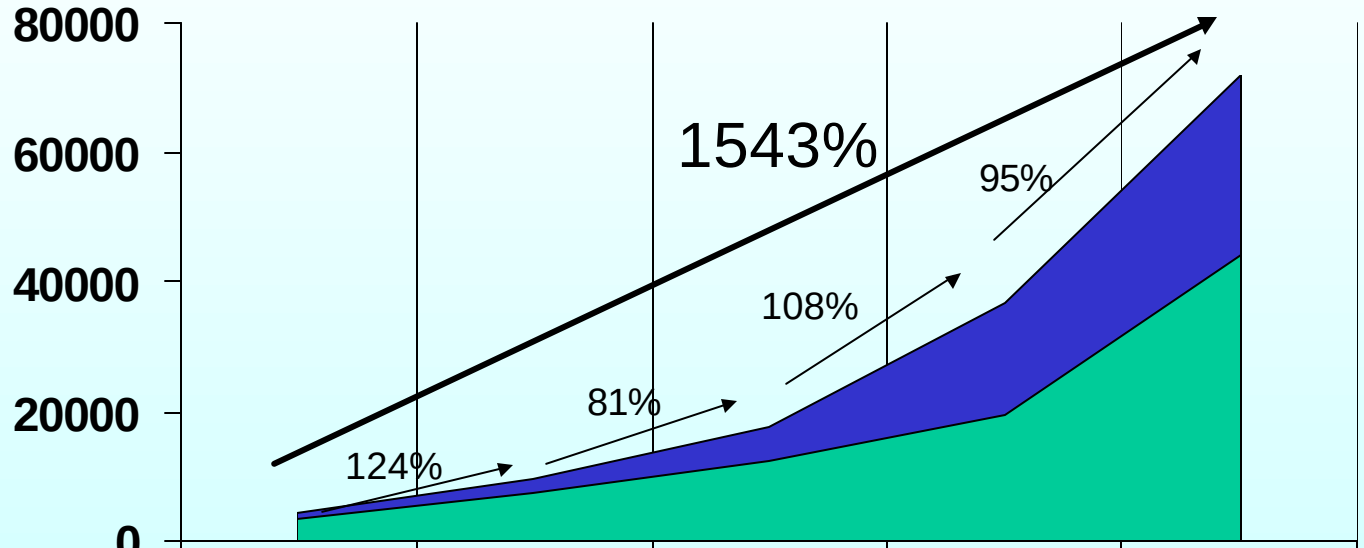

* June 2003 Figures

# ELF Return Totals for June 2003



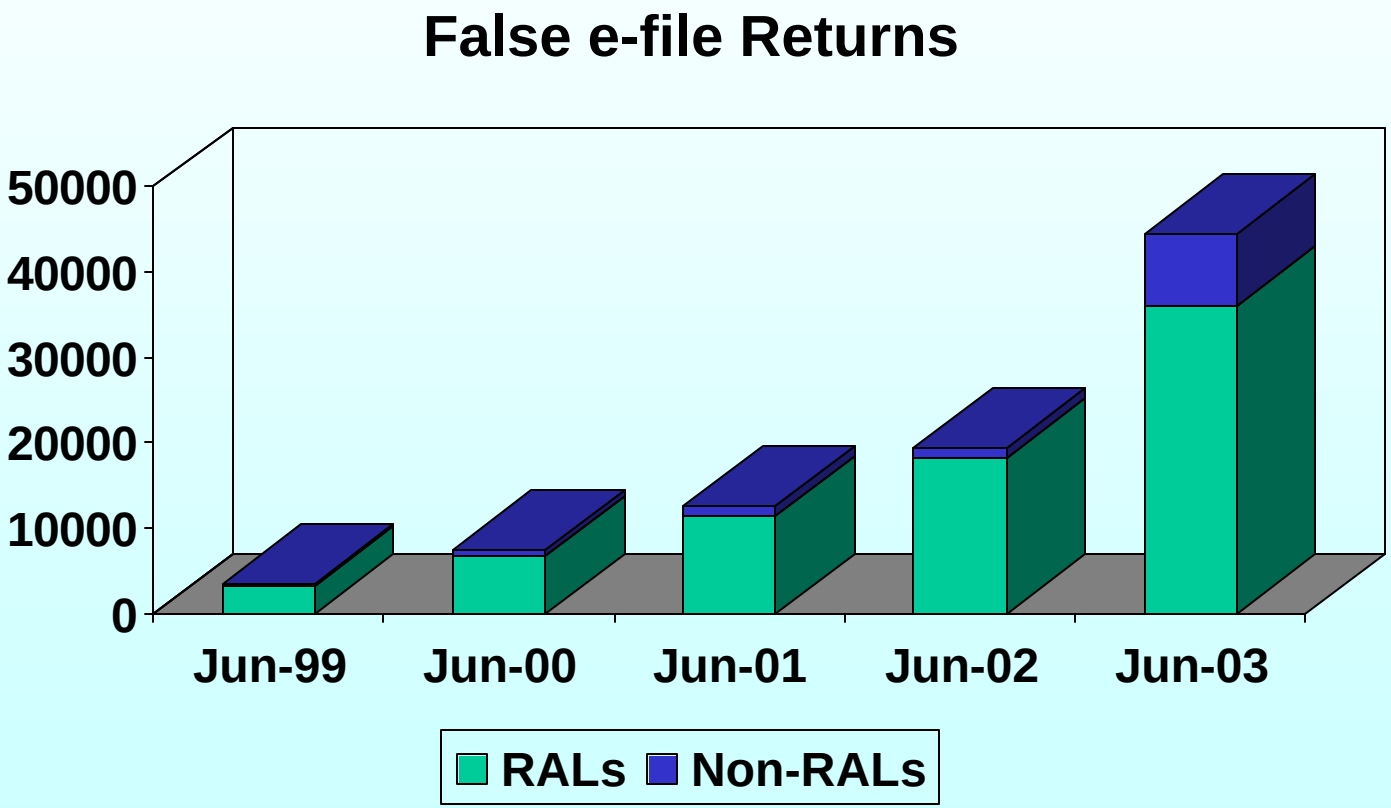



# False e-file Returns




| | 1999 | 2000 | 2001 | 2002 | 2003* |
|---|---|---|---|---|---|
| Year to Year | 4370 | 9782 | 17663 | 36737 | 71800 |
| June to June | 3382 | 7351 | 12502 | 19446 | 44396 |

# False e-file Returns with RALs



# Questionable Refund Program

| | FY 2001 | FY 2002 | 10/1/02 – 6/30/03<br>FY2003* |
|---|---|---|---|
| Investigations Started | 170 | 328 | 226 |
| Prosecution Recommendations | 113 | 144 | 154 |
| Indictments | 95 | 125 | 134 |
| Convictions | 102 | 100 | 106 |

# Return Preparer Program

| | FY 2001 | FY 2002 | 10/1/02 – 6/30/03<br>FY2003* |
|---|---|---|---|
| Investigations Started | 116 | 254 | 191 |
| Prosecution Recommendations | 73 | 89 | 124 |
| Indictments | 70 | 61 | 86 |
| Convictions | 63 | 64 | 46 |

# Fraud Detection Centers

- Co-located at each Return Processing Campus
- Electronic Fraud Detection System
- Coordinate Investigations with Field Offices
- Data Mining

# Private Sector Fraud Controls

- Fraud controls need to be improved
- Leads sent to IRS
  - E-Mail: **HQ-ORF@CI.IRS.GOV**
    - Database transmission preferred
  - FAX potentially fraudulent W-2's to the Fraud Detection Centers (FDC's)
  - Fraud Referral Hotline: 1-800-829-0433

# Schemes Identified from Private Sector Leads

- 2003 Filing Season
  - 9,780 fraud referrals as of July 1
  - To date 64% have been verified as fraudulent
  - Refunds of $21,150,000+ for these verified fraudulent returns.
  - Refunds totaling $132,000,000+ for schemes that included these returns.

# Schemes Identified from Private Sector Leads

- 2002 Filing Season
  - 5,758 fraud referrals
  - 75% have been verified as fraudulent
  - Refunds of 16,955,000+ for these verified fraudulent returns.
  - Refunds totaling $96,200,000+ for schemes that included these returns.

# Public Awareness

- www.irs.gov
  - Tax Fraud Alerts
  - Tax Professional's Section
  - Use of Metatags
- Media Outreach
- Community Outreach

# Questions?