



ACTR Calls IRS-State-Industry Effort to Combat Identity Theft Tax Refund Fraud a “Vital Step”

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WASHINGTON, DC – The American Coalition for Taxpayer Rights released the following statement today:

The American Coalition for Taxpayer Rights (ACTR), a 10-member trade association of the nation’s largest income tax preparation and tax software companies and financial institutions offering tax-time financial products, today lauded the Internal Revenue Service and Commissioner John Koskinen for leading an intense government-industry effort over the last three months to detect and prevent the growing problem of identity theft tax refund fraud.

“The Memorandum of Understanding (MOU) announced today between the IRS, the states and private industry is a vital step in our efforts to combat income tax refund fraud,” said ACTR Chair Steven Barnett, general counsel of Jackson Hewitt Tax Service Inc. “The Commissioner has shown great leadership in bringing together the key players – the IRS, the state revenue departments, and the private-sector tax preparation and related companies – to ensure that we are communicating and collaborating to combat criminal activity by those who are stealing from the United States Treasury and state revenue departments and harming individual taxpayers.”

Barnett pointed out that ACTR members, who assist in the preparation and filing of an estimated 95 million federal income tax returns each year, have worked with IRS since 2011 on this problem, and identified techniques and methods to detect and prevent income tax refund fraud.

“There is no silver bullet to detecting and preventing income tax refund fraud,” said Barnett. “That’s why the MOU announced by the IRS, the states and industry has built-in flexibility to allow the parties to address the evolving fraud threats. It is clear that much of the fraud going on today is being perpetrated by sophisticated criminals who adjust their schemes based on what they see government and industry doing or not doing.”

In general terms, the MOU is intended to improve taxpayer identity-proofing and authentication, and information sharing among government and industry regarding the evolving

patterns of income tax refund fraud. More specifically, the MOU creates duties and responsibilities for signatories, including the following:

- The parties will collaborate to identify data elements that have value in identity-proofing and authenticating taxpayers and detecting identity theft tax refund fraud.
- The parties will establish a minimum set of standards and methodology that industry must utilize in analyzing and reporting indicators of potential identity theft tax refund fraud.
- Industry will conduct data analysis to identify potentially suspicious activity after tax returns have been e-filed. Industry will identify the data elements indicating the suspicious activity and will submit aggregated, anonymous leads reports to government that will not include personally identifiable information.
- Industry will provide a separate standardized lead report to the IRS, which will redistribute the information to participating state departments of revenue (DORs).
- The IRS will provide monthly aggregated, anonymous data reports to industry summarizing the results achieved by using the authentication data elements and industry lead reports.
- Participating DORs will provide monthly aggregated and anonymous data reports to industry summarizing the results achieved by using the data elements and industry lead reports.
- The parties will closely examine and collaborate on establishing an information sharing and analysis center (ISAC).

“The member companies of ACTR have been focused intensely on fighting fraud,” said Stephen M. Ryan, general counsel to ACTR and a partner at McDermott Will & Emery in Washington. “We’ve routinely brought together our security experts to come up with the best ideas to detect and prevent fraud. We have been meeting regularly with the IRS and U.S. Department of Justice criminal tax authorities and U.S. Attorney Offices on how we might collaborate and stop these criminal schemes. More recently, we have approached the state attorneys general and state revenue commissioners on how we might work together.”

“This MOU is important,” said Ryan, a former federal prosecutor. “It’s a vital step in what must be a concerted and ongoing campaign by government and industry to leverage our collective resources and ingenuity to protect American taxpayers and the integrity of our income tax system.”

Ryan noted that a critical element of the MOU for government and industry alike is continued taxpayer privacy. “It is essential to industry that we explicitly be authorized and required by IRS to provide data analytics on income tax returns, and that we provide aggregated, anonymous lead reports to IRS and state DORs that do not include personally identifiable information. We take our responsibilities under federal law extremely seriously.”

ACTR includes the following 10 companies: CCH Small Firm Services; H&R Block, Inc.; Intuit, Inc.; Jackson Hewitt Tax Service Inc.; Liberty Tax Service; Refund Advantage; Republic Bank & Trust Co.; Santa Barbara Tax Products Group; TaxACT; and TaxSlayer.