



# IRS Nationwide Tax Forum | 2020

## Tax Security 2.0 The Taxes-Security-Together Checklist

# Objectives

- Reduce client data theft from tax professionals offices
- Increase awareness of common phishing scams
- Enhance use of appropriate security measures
- Improve compliance with FTC data security plan requirements
- Ensure proper notification of IRS in case of data theft

# Who's at Risk of Data Theft?



- Small firms
- Franchisees
- Large partnerships
- Sole proprietorships

# Latest Scams Targeting Tax Pros

Phishing emails:  
thieves posing as  
firm colleagues

Phishing emails:  
thieves posing as  
clients

Phishing emails:  
thieves posing as  
tax software  
provider

Thieves stealing  
credentials to  
access file share  
program

Covid-19 related  
phishing  
emails/texts

# New-Client Scam Initial Inquiry

Subject: 2020 tax season inquiry  
Date: [REMOVED] 2020 [REMOVED]  
From: [REMOVED]  
To: [REMOVED]

Happy New year,

I am currently in **search for a new tax preparer**. I usually file these federal forms 1040, Schedule A, Schedule B, Schedule C, Schedule D, Schedule SE. My former preparer typically charged around **\$600**. Is that the typical fee that you would charge? I talked to a large tax group in the area, and they said that they do more complicated returns and charge a minimum of **\$3,000!**.

I also have to **amend my 2018** tax return i **got a notice** regarding these latenovember. I will also like to have a quote on **what you will charge to help resolve the issue** with the IRS.

I hope to hear from you soon

Sincerely,  
[REMOVED]

# New-Client Scam Follow Up

Hello [REMOVED],

Thanks for your response, I am sorry for not getting back to you immediately. I have been out of my office and wont be back till the 27th of Jan. I am spending some time with my daughter. I hope you are still willing to help? Your pricing seems fair and within my budget. How do I sign up as a Tax client with your firm?

Below is a **ShareFile access** to my prior year tax return and **the letter I received**. Hopefully this gives you a better understanding of the complexity of my tax situation. I hope we can get started immediately. Would you need a retainer?

[REMOVED]

[REMOVED]

## Taxes-Security-Together Checklist

- ✓ Enact “Security Six” Measures
- ✓ Create a Data Security Plan
- ✓ Educate staff on phishing
- ✓ Know the Data Theft Signs
- ✓ Plan, Report Data Losses

# Taxes-Security-Together Checklist

## ✓ “Security Six” measures

- Anti-virus software
- Firewall
- Two-factor Authentication
- Back up files
- Drive encryption
- Virtual Private Network





# Taxes-Security-Together Checklist

## Create a data security plan

Designate someone to coordinate a plan

Identify and assess the risks

Design and implement a safeguards program

Evaluate and adjust the program as necessary

Select service providers that can maintain appropriate safeguards

# Taxes-Security-Together Checklist

- ✓ Educate all staff about phishing emails
  - Use separate personal and business email accounts.
  - Install an anti-phishing tool bar to ID known sites.
  - Use security software, scan emails for viruses.
  - Never open attachments from unknown senders.
  - Send only password-protected and encrypted documents.
  - Do not respond to suspicious or unknown emails; if IRS-related, forward to [phishing@irs.gov](mailto:phishing@irs.gov).

# Taxes-Security-Together Checklist

## ✓ Signs of data theft

- Clients who haven't filed tax returns begin to receive taxpayer authentication letters (5071C, 4883C, 5747C) from the IRS.
- Clients e-filed returns reject because of duplicate SSN.
- Clients receive unrequested refunds or tax transcripts.
- Clients who created an IRS online services account receive an IRS notice that their account was accessed or IRS emails stating their account has been disabled. Or clients unexpectedly receive an IRS notice that an IRS online account was created in their names.

# Taxes-Security-Together Checklist

## ✓ Signs of data theft

- The number of returns filed with the tax professional's Electronic Filing Identification Number (EFIN) exceeds the number of clients.
- Tax professionals or clients responding to emails that the firm did not send.
- Network computers running slower than normal.
- Computer cursors moving or changing numbers without touching the keyboard.
- Network computers locking out employees.

# Taxes-Security-Together Checklist

## Create a Data Theft Plan

Contact your  
IRS  
stakeholder  
liaison

Notify your  
state tax  
agency/AG

Notify cyber  
experts/  
insurance  
company

Review  
Federal Trade  
Commission  
resources

Practitioner  
Relief  
Program

## New for 2021

- Expanding Identity Protection PIN Opt-In Program
  - See Publication 5367, IP PIN Opt-In Program for Taxpayers
- Tax software providers must offer two-factor authentication
- PII on business tax transcripts will be redacted

## New for 2021

- Truncated SSNs on Form W-2s
  - Paper filers should write full SSNs on W-2s submitted with paper return
- Revised Form 14039-B, identity theft affidavit for business taxpayers, can be filed proactively; available soon on IRS.gov

## Help and Resources

- ❖ IRS Publication 4557
- ❖ IRS Publication 5293
- ❖ [IRS.gov/identitytheft](https://www.irs.gov/identitytheft)
- ❖ [IRS.gov/protectyourclients](https://www.irs.gov/protectyourclients)
- ❖ FTC's [www.identitytheft.gov](https://www.identitytheft.gov)



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