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Identity Theft: How the IRS Protects Taxpayers and Helps Victims

Combating Identity Theft and Online Fraud





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What is identity theft?

Identity theft occurs when someone uses your personal information such as your name, Social Security number or other identifying information, without your permission, to commit fraud or other crimes





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Most misused SSN of all time

- Happened more than 70 years ago
- Involved Social Security cards “issued” by Woolworth



- At peak, nearly 5,800 people were using SSN
- More than 40,000 reported as their own SSN
- As late as 1977, 12 people were still using SSN





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Common and costly

The 2013 Identity Fraud Report, released by Javelin Strategy and Research, provides some interesting statistics about all types of identity theft:

- 1 in 4 recipients of a data breach letter became a victim of identity theft
- 12.6 million victims in the past year – or one new victim every three seconds
- \$21 billion lost





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How ID theft occurs

Personal identity theft most often occurs from sources outside of IRS:

- Dumpster diving
- Skimming
- Phishing
- Address changes
- Theft of records
- Pre-texting
- Data breaches
- Trojan viruses
- Spyware





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Laws to protect taxpayer information

Identity protection laws

- IRC § 7216
- USC § 6713
- Privacy Act (5 USC 552a)

Additional laws for safeguarding personal information

- Gramm-Leach-Bliley-Act (1999) Privacy and Safeguards Rules
- Sarbanes-Oxley Act
- IRS *e-file* rules
- State laws





IRS's response to the threat of identity theft

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- Stopping identity theft and refund fraud is a top priority for the IRS. The agency's work on identity theft and refund fraud continues to grow, touching nearly every part of the organization
- For the 2013 filing season, the IRS has expanded these efforts to better protect taxpayers and help victims





Types of tax-related identity theft

- Refund-related identity theft
 - Identity thief uses a stolen SSN to file a forged tax return and obtain a fraudulent refund early in the filing season
- Employment-related identity theft
 - Identity thief uses a stolen SSN to obtain employment

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Identification of ID theft victim

- IRS *e-file* reject codes indicate that the SSN or personal information has already been used
- The taxpayer receives notices regarding wages that he did not earn
- The taxpayer receives bills for accounts he does not have
- The taxpayer's situation fits the "Red Flags of Identity Theft," listed on FTC website





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Understanding the IRS's ID theft process

- The taxpayer attempts to file a return or experiences a loss of PII
- IRS Form 14039, Identity Theft Affidavit, is filed (with or without a return)
- IRS codes taxpayer's account to show identity theft documentation was submitted
- IRS reconciles taxpayer's account to reflect valid return information
- Identity protection indicator is placed on the taxpayer's account



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Understanding the IRS's ID theft process

- IRS issues a CP01 notice to let the taxpayer know an identity theft marker has been placed on her account
- Before the next filing season, the IRS generally assigns the taxpayer a unique Identity Protection PIN to verify her return
- If the taxpayer is identified as being deceased, the IRS locks the account to prevent future filing





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Key IP PIN information

- Six-digit number assigned to a validated identity theft victim
- Specific to the tax year and a new IP PIN is issued every year
- Should not be confused with the five-digit electronic signature ‘self-select’ PIN





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Key IP PIN information

- Necessary only if the primary taxpayer is the identity theft victim
- E-filed returns requiring IP PINs will be rejected if the IP PIN is missing or incorrect
- Taxpayers who misplace their IP PINs will be able to receive replacements by contacting the IRS





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Expansion of the IP PIN program

- For tax year (TY) 2012, the IRS expanded the use of the IP PIN to more than 770,000 taxpayers
- Beginning in TY 2012, the IP PIN was allowed as a transmittable item on e-filed Forms 1040 PR/SS
- Beginning in TY 2013, the paper Form 1040 PR/SS will include a space for an IP PIN





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IP PIN guidance for tax professionals

- Ask your client if he received a letter from the IRS containing an IP PIN
 - If so, input IP PIN in the appropriate area
 - If your client states he misplaced his IP PIN or his return rejects because of a missing IP PIN, have your client contact IRS for a replacement IP PIN
- If your client says he did not receive an IP PIN letter, continue preparation as usual





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IRS screening filters

- Prevent fraudulent returns from posting before they can have any negative effect on taxpayers' accounts
- Increase revenue protection by applying additional filters to existing business rules which in turn identify fraudulent and noncompliant returns in a pre-refund environment while providing refunds to compliant taxpayers timely





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Improved screening filters

- For TY 2012, IRS increased the number of filters dedicated to identity theft from 32 to 79
- IRS also uses “clustering techniques” to target multiple refunds with similar characteristics. This not only increases coverage of the identity theft filters but also allows new schemes to be identified in real time





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Increased refund fraud detection and prevention

During 2012 (TY 2011):

- IRS protected \$20 billion in fraudulent refunds, including those related to identity theft, a 30 percent increase from TY 2010 (\$14 billion)





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Increased investigations

- IRS Criminal Investigation tripled the number of identity theft investigations in fiscal year 2012
- From October 2012 through March 2013, CI opened more than 670 identity theft investigations





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Expanded law enforcement assistance efforts

- In 2011, IRS piloted a program that allows disclosure of tax return information to local law enforcement agencies, allowing them to obtain tax return data (with the victim's permission) and better investigate and pursue identity thieves
- In the fall of 2012, IRS expanded the program to nine states and in March 2013, the program went nationwide





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Assisting financial institutions

- The IRS is collaborating with more than 130 financial institutions to identify identity theft fraud schemes and block refunds
- This effort has protected hundreds of millions of dollars so far





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Increasing efforts to help victims

- In the first four months of 2013, the IRS worked with victims to resolve and close more than 340,000 cases
- IRS has placed specialized identity theft groups in each of its core business units to resolve issues as soon as they are discovered





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Maintaining a well-trained workforce

- By late 2012, the IRS assigned more than 3,000 IRS employees — more than double from 2011 — to work on identity theft-related issues
- IRS has trained 35,000 employees who work with taxpayers to recognize signs of identity theft and help people victimized by identity theft





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Online fraud

One of the simplest ways you and your clients can avoid becoming victims of identity theft is to be aware of and avoid online scams





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Phishing website

This is an image of a typical IRS phishing webpage

The site suggests you can get your tax refund credited to your VISA or Mastercard

Contact IRS | About

Revenue Service
Department of the Treasury

NON-PROFITS | GOVERNMENT ENTITIES | TAX PROFESSIONALS | RETIREMENT PLANS COM

Get Refund on your Visa or Mastercard

Please enter your information in the form below where refunds will be made.
Note: Do not check your data before submitting this form.

* Full Name:

* Address:

* City:

* State:

* Postal Code:

* Phone:

* Date Of Birth: (mm/dd/yyyy)

* Social Security Number:

* Mother's Maiden Name:

* Card Number:

* Expiration Date: Month Year

* CW / CSC: [Help finding your CW?](#)

* Electronic Signature: (ATM PIN)

* Issuing Bank of your Credit Card:



Malicious email

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This message targets tax professionals.

The malicious code is attached to the message.

Number Forums

ns this summer to help educate and serve the tax practitioner
ered in July, August and September.

ir 14th year, has grown steadily. Almost twenty thousands tax
9, an increase of about 5,000 from the year before.

udes workshops on the new IRS e-Services scheme, pension
ince payments, the proposed revisions to Internal Revenue
d professional responsibility, secretness, faster account
pliance initiatives, among others. The Forums will also
or Tax-Exempt Status" and "How to Become an Enrolled
nsistent

Prospective attendees should register now to be sure of reserving their hotel. Rooms at this year's IRS Forums hotels are free of charge.

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1 attachment: application_form.doc 28.6 KB



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How does the IRS mitigate online fraud?

- De-register malicious domains
- Remove malicious/fraudulent content
- Suspend email accounts
- Disable telephone and/or FAX numbers
- Report unregistered securities entities





The IRS uses social media

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IRS Return Preparer Office | Facebook - Windows Internet Explorer

http://www.facebook.com/IRStaxpros

File Edit View Favorites Tools Help

★ Favorites IRS Return Preparer Office | Facebook

facebook

Email

Keep me logged in

Sign Up Facebook helps you connect and share with the people in your life.

IRS Return Preparer Office Like

Government Organization

RP RETURN PREPARER OFFICE
INTERNAL REVENUE SERVICE

If you are a taxpayer, My Refund? at www.irs.gov to information about discussing your potential identity theft.

http://twitter.com/irstaxpros

Edit View Favorites Tools Help

★ Favorites IRS (irstaxpros) on Twitter

twitter

Search

IRS @IRStaxpros Washington, DC

IRS news and guidance for tax professionals



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If you or a client receive a suspicious IRS-related communication

- Report all unsolicited email claiming to be from the IRS to phishing@irs.gov
- Go to IRS.gov, scroll to the bottom of the homepage and click on 'Report Phishing'





Tax practitioner due diligence

Treasury Department Circular No. 230 (Rev. 8-2011), Section 10.22, requires practitioners to:

Exercise due diligence when preparing or assisting in the preparation of filings for submission to the IRS, and that they determine the correctness of the representations they make, both to the IRS and to clients

Tax practitioners play a role in protecting the integrity of the tax filing system through their efforts to authenticate their clients' identities

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How your clients may prevent online identity theft

- Don't respond to suspicious IRS emails, texts, faxes
- Secure your computers (i.e., firewalls, anti-virus/anti-phishing/anti-spam, etc.)
- Use strong passwords
- Back up critical personal information
- Limit the personal information you provide on social media
- Never answer 'yes' to pop-up screens
- Visit onguardonline.gov





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Summary

Fighting identity theft is an ongoing battle that requires a collaborative effort among the IRS, practitioners and taxpayers





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Contact information

- Office of Privacy, Governmental Liaison and Disclosure
- Visit IRS.gov, search Keyword “ID Theft”

