

IRS Commissioner John Koskinen
Prepared Remarks: Security Summit Press Briefing
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Thank you all for joining us.

We're here today to give you an update on the protections we're putting in place for the upcoming tax filing season to better safeguard taxpayers and the tax system against stolen identity refund fraud.

As I've said before, this is not a battle the IRS can fight alone. Joining me today are representatives from the electronic tax industry, the software industry and the states. These members of our Security Summit group have collaborated with the IRS on this effort from day one. We began mapping out a strategy in March, and together we have made significant progress in just a few months.

Since we last talked, this collaborative effort has added additional members. We now have 20 major players in the tax and financial industries working with us on this effort. This is significant, because the Security Summit now covers virtually the entire population of taxpayers who e-file their tax returns. Another significant development is that 34 states have signed the memorandum of understanding, with even more planning to sign in the weeks ahead. That's a significant number because 42 states have an income tax; 32 of those have already signed.

It's critical for us to continue making progress in this area, because refund fraud related to identity theft has become a more complicated, serious threat to the nation's tax system. Over the last few years, we've seen an increase in identity theft crimes being perpetrated by organized crime syndicates around the world. These criminals have been able to gather enormous amounts of personal data from sources outside the IRS. This makes protecting taxpayers more challenging and difficult.

So I'm delighted to report that, for next year's tax filing season, we are on track to fulfill our goal of having new safeguards in place for taxpayers when they file their returns. We are breaking new ground in the battle against stolen identity refund fraud. Although we're still a few months away, we want everyone to know they can expect more protections than ever when they file their taxes next year.

Most of these new protections will be invisible to taxpayers, but behind the scenes we are putting in place a multi-layered, multi-faceted approach. The states, the federal government and private sector companies in the tax business – the people you see around the table – will all have strong new safeguards collectively in place for the 2016 tax filing season.

Our defenses are strong. Our systems remain secure. But this year, to put it in sports terms, we're going on offense like never before. We have new data coming in to help identify fake returns and prevent fraudulent refunds from going out the door. We're working together to build a strong,

reinforced system that lets the taxpayers in and keeps the criminals out. And we will continue to prosecute identity thieves who steal refunds.

Let me touch on a couple of important developments with the Security Summit group since we last met in June.

Back then, one of our biggest concerns involved what we could do to validate taxpayer identities and their tax information when they file their returns.

Working together – the states, industry and the IRS – we came up with more than 20 data components that we can collect and share with each other when a return is filed. This data – which is largely invisible to the taxpayer as their return is filed – will shine new light on potentially fraudulent returns. Along with this data sharing, we'll also continue to use one of our most powerful weapons against fraud, and that is our Return Review Program. This is a relatively new and sophisticated fraud detection system designed specifically to help protect taxpayers.

I'm not interested in giving criminals a road map to our system, so I won't go into a lot of details on which data components we're looking at. But let me give you just a few basic examples.

- If tax returns come from the same foreign internet address, we'll see that.
- If many tax returns are being filed from the same device, we'll see that.
- We can also see how long it takes to prepare a return online, from the time a person logs in, to when the return is filed electronically. So if a tax return appears to be automatically generated by a machine, we'll find that out.

All of these give us a better defense against criminals trying to use stolen taxpayer information to file false returns and claim a fraudulent refund. And we can do a better job of stopping the refund before it goes out the door.

This particular effort illustrates how government and the private sector can work together toward a shared goal while maintaining clear lines of distinction between the roles they play in the tax ecosystem. Industry is providing essential help by sharing key information. This will allow the government to quickly and accurately make determinations of what is fraudulent and what is not. This doesn't change the roles we have traditionally played. It simply extends the current relationship to better protect taxpayers and the integrity of our entire tax system.

Our partners in private industry are also taking additional steps to better protect customers who use tax preparation software to fill out and file their returns. Many of the improvements should look familiar because they're currently used across the financial sector when you log in to your account...things like security questions and device recognition.

The Security Summit group has made remarkable progress so far, but more work remains. We are looking beyond the upcoming filing season to see where we can make changes to protect the tax system over the long term. Let me give you a few examples:

- We also continue to pursue the goal of creating an Information Sharing and Analysis Center, or ISAC.
- We have a group that will begin a public education campaign next month to share important information to help taxpayers be proactive and protect themselves at tax time.
- We have a new team focused on the issues faced by tax professionals.

The tax professional team adds an important component to the Security Summit. Combined with members of the software industry, the states and increased participation from the financial services industry, this means we have the entire spectrum of the nation's tax community involved in this effort. This is a unique and historic collaborative effort in the history of our nation's tax system.

Before I conclude, let me make one more observation. This group may be doing amazing things, but Congress also has an important role to play in this effort. Adequate funding of the IRS is essential. Cutting the IRS budget again this year will not help taxpayers. Cutting the IRS budget will do identity thieves a favor and harm more taxpayers. We'll miss opportunities to prevent fraud and we'll have fewer resources to help victims.

Our ability to address the risks posed by cybercrime will require new investments in authentication, monitoring and other cybersecurity technologies. To that end, the President's Fiscal Year 2016 budget request includes \$281 million for these kinds of investments.

Just as importantly, Congress can help by passing several legislative proposals. One of the most important would speed up the due dates of W-2s, 1099s and other third-party information returns. This change would help us match these documents against income tax returns earlier in the tax filing process and shut out more criminals trying to file ahead of legitimate taxpayers.

The severity of this challenge to the nation's tax system is underscored by the unprecedented gathering of the people sitting in this room. We may have different interests at some levels, but we all carry a common goal of protecting taxpayers and safeguarding their information.

This work is critically important to protecting the integrity of our federal and state tax systems -- and preserving the revenue streams that run our great democracy. I want to thank everyone who is participating in this process and doing everything they can to make it a success.

With that, I'd like to ask David Sullivan to make a few comments. David is the immediate past president of the Federation of Tax Administrators and Tax Administrator of Rhode Island, and he's been involved in this effort from the start. David?

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Next, I'd like to turn it over to our other partners for any comments.

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Finally, we're happy to take your questions.