

Tax Identity Theft
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Outline

- Identity theft – what and how
- The problem
- What is the IRS doing?
- What can you do?
- Q&A

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Identity theft

- Identity theft
 - Use of personal information without permission to commit fraud or other crimes.
- Tax identity theft
 - Use of personal information without permission to obtain refund.
 - Information filed in your name could be entirely fictitious.

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By the Numbers

Fraudulent Refunds – 2013 (millions)

Category	Value (millions)
Unsuccessful	4.1
Successful	0.9

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By the Numbers

\$ Fraudulent Refunds – 2013 (billions)

Category	Value (billions)
Unsuccessful	24.2
Successful	5.2

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How do they do it?

- Steal your information
 - Physically (purse, mail, trash, etc)
 - Verbally (phone, eavesdropping)
 - Electronically (ATM, computer)
- File a tax return with your name/SSN before you do, claiming credits and refund of taxes paid
- Your (valid) return is rejected!

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Common techniques

- Phone calls
 - “We have your refund...”
 - “We need to speak with you immediately...”
 - “We need to verify your information...”
- Emails
- Regular mail
- Targets
 - Those with historically large AGI/taxable income
 - Returns with low income for both refund/EIC
 - Fake returns mirror historical info

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Fraudulent mail request

- Hand-written envelope and address correction
- Appeared to be on official stationery – some indicators it was not
- Reason given included vague reference to “related matters”
- Middle name used, but only the initial actually filed

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Fraudulent mail request

- Requested copies of tax returns and W-2s – both of which are readily available within IRS systems
- IRS address was close to actual, but slight difference
- IRS phone number was close to actual, but not listed
- Reports of wages paid to you by an employer for whom you did not work

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Example



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The problem

- Tax fraud is arguably less likely to be committed than other types of fraud using your information
- Tax fraud could be the least of your concerns
 - Fraudulent credit card charges
 - Theft of bank funds
 - Compromised medical records
 - Used to obtain healthcare
 - Used to obtain insurance reimbursement
 - Compromised credit report

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What is the IRS doing?

- More than 3,000 assigned employees (more than double 2011's number)
- Trained more than 35,000 employees on ID theft
- 2011-2013 – stopped 14.6M suspicious returns; protected \$50B in fraudulent refunds
- 2013 – initiated 1,492 ID theft criminal investigations (66% increase)
- Increased screening filters (dozens for ID theft)

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What is the IRS doing?

- Stepped up criminal investigations and prosecutions
- Work with local law enforcement
- Work with financial institutions – 700K refunds returned to IRS due to suspicion of ID theft
- IP PIN – 770,000 issued in 2013; 1.2M estimated for 2014
- IRS Identity Protection Specialized Unit dedicated number 1-800-908-4490
- Length of case averages 180 days

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What can you do?



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Handling IRS requests

- The IRS will never contact you electronically. Any such request is phishing.
- The IRS may contact you by telephone, but this is very rare, and it should always be preceded by written correspondence.
- If in doubt, you can request a phone number to call back, then call a known IRS number first to verify.
- If unsure about a written request, call the IRS.
- Involve your CPA – it's not worth the risk.

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What can you do?

- Don't carry your SS card or any document(s) with your SSN on it.
- Don't give a business your SSN just because they ask; give it only when truly required, and understand why and how they will use it.
- Check your credit report every 12 months.
Equifax www.equifax.com 1-800-525-6285
Experian www.experian.com 1-888-397-3742
TransUnion www.transunion.com 1-800-680-7289

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What can you do?

- Secure personal information, particularly when people you don't know well have access.
- Protect personal computers (anti-spam/virus software, change passwords, etc).
- Don't give personal information over the phone, through the mail or on the Internet unless you have initiated the contact or you are sure you know who you are dealing with.

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What can you do?

- File a police report
- Contact all financial institutions with whom you have accounts
- Contact credit reporting agencies
- Report email contacts to IRS at: phishing@irs.gov
- File Form 14039, "Identity Theft Affidavit" with the IRS
 - Request full transcript of fraudulent return first
 - Investigation by IRS will NOT start until IRS receives Form 14039 and proof of identity

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