SCHWERIN WEIGHS IN ON IDENTITY THEFT AND INCOME TAX RETURNS

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Identity Theft and Income Tax Returns: What do you mean I've already filed my return?

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> *The scramble to collect forms and documents, spending countless hours on the phone with accountants or with tax preparation software and the mad dash to file is behind us, and taxpayers across the country breathe a sigh of relief as the 2013 tax season comes to an end. But, for millions of taxpayers, the nightmare is only beginning. Those taxpayers will receive a notice from the Internal Revenue Service (IRS) stating, "more than one tax return for you was filed," and that the IRS already issued a tax refund in their names.*
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> *In fact, the epidemic of taxpayer identity theft is trending upward. In a statement concerning an enforcement action in January, 2014, United States Attorney for the Eastern District of Missouri, Richard Callahan, noted that "stolen identity refund fraud is a large and growing problem across the country, and the IRS and Justice Department dedicate substantial resources in fighting it, particularly at this time of year."*
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> *Justin Gelfand received the 2013 Attorney General's Award for Fraud Prevention for his work in prosecuting these types of identity theft cases. He says, "These cases are unusual for the IRS because they are essentially highly sophisticated white collar crimes in progress as opposed to investigations into events that occurred in the past. As this epidemic remains a top priority for federal agents and federal prosecutors nationwide, people accused of committing these crimes face very significant prison sentences if convicted."*

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Detection of Identity Theft and Refund Fraud

The Department of Justice refers to this category of cases as Stolen Identity Refund Fraud or SIRF cases. Simply stated, a SIRF case involves a series of crimes in which a criminal steals a name and Social Security number, files a tax return using that identifying information and claiming a false refund, and requests that the stolen refund is mailed to the criminal or deposited into a bank account or onto a prepaid debit card. The criminal's fraudulent return is posted to the IRS account of the person whose identity is stolen, which impacts the real taxpayer who files his or her actual return, delays or prevents the issuance of his or her proper tax refund, and posts erroneous information on his or her account with the IRS.

A 2012 audit published by the Treasury Inspector General for Tax Administration reported that, if the problem continues to grow on its current trajectory, the IRS would issue $21 billion in fraudulent refunds over the next five years. In September 2013, the Treasury Inspector General for Tax Administration reported significant, but not satisfactory, improvements in administration and recovery actions aimed at curbing identity theft refund crimes. It projected that, if investigation and enforcement actions remain at the same level as 2013, the IRS would issue $1.9 billion in fraudulent refunds over the next five years.

The IRS estimates that it prevented the issuance of approximately $20 billion of fraudulent returns in 2012, which is an increase of more than $14 billion in prevented returns in 2011. For 2011 through November 2013, the IRS estimates that it identified 14.6 million suspicious returns and prevented more than $50 billion in fraudulent refunds. It has again increased its efforts against refund fraud this year.

Prosecution of Stolen Identity Refund Fraud

The Department of Justice's Tax Division, the IRS and United States Attorney's Offices have made it a high priority to investigate and prosecute the individuals involved in SIRF schemes. The Department of Justice reports that it charged more than 880 defendants with SIRF-related crimes in 2013. The IRS Criminal Investigation Division reported that its investigations led to 1,050 indictments or informations filed against defendants for SIRF-related crimes and an 80.6 percent incarceration rate. According to IRS Criminal Investigation, the average length of sentence in these cases was 38 months, significantly longer than the average sentence in a traditional criminal tax case.

St. Louis has seen its share of SIRF criminal activity and enforcement actions. Most notably, in July 2013, a woman was sentenced in the United States District Court, Eastern District of Missouri, to 144 months in prison and ordered to pay restitution of $835,883 to the Internal Revenue Service. She organized a scheme involving more than 400 stolen identities and more than $1.8 million in refund claims. Her husband was sentenced to 36 months in prison in November 2013.

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Identity Protection Tips

Earlier this year, Special Agent in Charge Sybil A. Smith at the Internal Revenue Service - Criminal Investigation, St. Louis Field Office cautioned Saint Louis taxpayers, advising: "Taxpayers should exercise caution when choosing a tax professional, especially since you will hand over your personal and financial identifying information."

In addition, taxpayers should be cautioned to secure all personal information, guard Social Security numbers, regularly check their credit, and refuse to respond to telephone or e-mail requests for personal information. If a taxpayer believes his or her information has been compromised or becomes aware that he or she is a victim of identity theft, he or she should contact the IRS Identity Protection Specialized Unit at 1-800-908-4490 and file a Form 14039, IRS Identity Theft Affidavit. A taxpayer should also be advised to report incidents of identity theft to the Federal Trade Commission, local police, and fraud departments at the major credit bureaus.

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