

# Tax Identity Theft

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# Identity Theft

- Identity Theft is a form of stealing someone's identity in which someone pretends to be someone else by assuming that person's identity in order to access the other person's resources or obtain credit or other benefits in that person's name.
- The term identity theft was actually coined in 1964.
- Generally theft victims have no clue as to how their personal information was obtained according to the FTC. According to an unpublished study by the Carnegie Mellon University, only about 2% of data breaches result in identity theft.
- In a recent article entitled "Cyber Crime Made Easy", there is even an app for how to perform credit card theft.

# Identity Theft Types

- There are 5 categories of identity theft:
  - Criminal Identity theft (posing as another when apprehended for a crime).
  - Financial identity Theft (using another's identity to obtain credit, goods and services). Real problem with negative credit.
  - Identity cloning (using another's information to assume his or her identity in daily life)
  - Medical identity theft (using another's identity to obtain medical care or drugs). May result in someone becoming uninsurable. ACA may lessen the damage here.
  - Child identity theft (A minor's social security number is used to obtain credit, driver's licenses or even buy a house. It is fairly common and the problem is growing. The largest study of 40,000 children found that 10.2% were victims.

# Techniques for Obtaining and Exploiting Personal Information for Identity Theft

- Dumpster diving
- Retrieving data from redundant IT equipment, including PCs, servers, PDA's and mobile phones. Be careful next time you drop a mobile device off to get it fixed.
- Using public records
- Stealing bank or credit cards, passports, etc., through pickpocketing, robberies, burglaries or mail theft.
- Common knowledge question screens that offer account verification such as your mother's last name or your pet's name.
- Skimming information from bank or credit cards by hand held readers.
- Using "contactless" credit card readers to acquire data wirelessly from RFID-enabled passports.
- Observing others type information into their PDA or fill out paper.

# Techniques for Obtaining and Exploiting Personal Information for Identity Theft

- Stealing information from computer breaches in browser security or malware such as Trojan horse or other forms of spyware.
- Hacking computer networks.
- Exploiting breaches that result in the publication of names, addresses and social security or credit card numbers.
- Advertising bogus jobs to obtain applicant's personal information.
- Breaches by IT personnel.
- Phishing
- Falsifying fingerprint identification.
- Browsing social networking websites for personal details.
- Using false pretenses to trick individuals into changing login information.
- Befriending strangers on social networks.

# 10 Ways To Become a Victim of Tax Identity Theft

- Get Medical Care: Michael Wilson admitted in 2012 to a guilty plea that while working as a financial services representative for Memorial Hospital's Urgent Care Center in Pembroke Pines, Fl., he sold tax refund fraudsters 400 patient IDs.
- File a paper 1040. Monica Nanette Hernandez, a part time data entry clerk at the IRS's Fresno office was charged with using the information to seek big refunds.
- Jobson Cenor who was stationed in Afghanistan, emailed the names, birthdates and social security numbers of more than 100 fellow soldiers to a co-conspirator in Florida to file false returns for refunds.
- Use a dishonest preparer.
- Use an honest preparer, but the office is broken into by ID thieves.
- Have a gullible employer – Fraudsters pretend to be IRS employees of an audit group demanding the names, social security numbers and birth dates of their workers.

Source: Forbes Magazine

# 10 Ways To Become a Victim of Tax Identity Theft

- Get behind on your bills – The Collection Agency steals the information.
- Take out a student loan. Student loan processor stole 54 IDs and gave them to a crooked tax preparer.

Source: Forbes Magazine

# Ways to Minimize Identity Theft

- Acronym: SCAM
- S – Be stingy about giving personal information
- A – At home
  - Adopt a need to know approach to personal data.
  - If someone calls from a bank or credit card agency, it is important to make sure they are who they represent themselves to be. I generally will get a number and call back. Do not put much information on checks.
  - Do not take calls giving you prizes if they want personal information such as social security or credit card numbers. Ask them to send you what they want in writing, such as an application.
  - Review the application if they send it then check them out such as calling the Better Business Bureau.



# Identity Theft Trends

- Trends show a troubling change in the nature of these cases, shifting away from traditional white collar criminals.
- Much of the ID theft is carried out by **gang members, drug traffickers and violent criminals** who have aggressively shifted to tax-refund fraud.
- A South Florida Postal carrier was **murdered** by a known gang member for his master key because the gangster was waiting for the tax refund checks.
- Many Identity theft cases are uncovered incidentally during other investigations.



# Ways to Minimize Identity Theft

- A – Ask for Credit Reports.
  - May want to put a fraud alert on the credit reports.
- M – Maintain careful records of banking and financial accounts.
  - Keep records for 5 years and review statements monthly.
- Do not use your SSN unless you have to, including filling out doctor forms
- Tell clients to use a shredder.
- Clients should protect personal PCs at home with firewalls and anti-spam and virus programs.
- Tell clients to change passwords often.

## Tax Practitioner's Best Practices in Assisting Clients to Avoid ID Theft

- File clients' returns as early as possible
- E-file returns in order to be notified of duplicate returns.
- Consider truncating or masking Tax ID numbers or SSNs consistent with Notice 2011-38.
- Client expectations – refunds may take a lot longer. ID theft can take more than a year to fix.
- On-line CPAs – beware of who your client is!

# Consumer Sentinel Network Complaint Categories<sup>1</sup>

*January 1 – December 31, 2012*

Rank	Category	No. of Complaints	Percentages <sup>1</sup>
1	Identity Theft	369,132	18%
2	Debt Collection	199,721	10%
3	Banks and Lenders	132,340	6%
4	Shop-at-Home and Catalog Sales	115,184	6%
5	Prizes, Sweepstakes and Lotteries	98,479	5%
6	Impostor Scams	82,896	4%
7	Internet Services	81,438	4%
8	Auto Related Complaints	78,062	4%
9	Telephone and Mobile Services	76,783	4%
10	Credit Cards	51,550	3%
11	Foreign Money Offers and Counterfeit Check Scams	46,112	2%
12	Advance Payments for Credit Services	42,974	2%
13	Television and Electronic Media	41,664	2%
14	Health Care	35,703	2%
15	Mortgage Foreclosure Relief and Debt Management	33,791	2%

# Consumer Sentinel Network State Complaint Rates

January 1 – December 31, 2012

## Fraud & Other Complaints

		Complaints Per 100,000	
Rank	Consumer State	Population <sup>1</sup>	Complaints
1	Florida	693.5	133,973
2	Georgia	590.2	58,543
3	Maryland	564.2	33,199
4	Delaware	563.2	5,165
5	Nevada	559.9	15,446
6	Colorado	545.2	28,285
7	Virginia	517.4	42,355
8	Arizona	510.2	33,434
9	Michigan	500.9	49,501
10	New Hampshire	499.7	6,600

## Identity Theft Complaints

		Complaints Per 100,000	
Rank	Victim State	Population <sup>1</sup>	Complaints
1	Florida	361.3	69,795
2	Georgia	193.9	19,232
3	California	122.7	46,658
4	Michigan	122.2	12,075
5	New York	110.1	21,538
6	Nevada	109.9	3,032
7	Texas	108.6	28,299
8	Arizona	107.3	7,032
9	Maryland	105.0	6,178
10	Alabama	104.9	5,060



# Staggering Statistics

- **Approximately 92,500 IRS employees**
  - Collect over \$2.1 TRILLION in tax revenue each year;
  - Process over 147 MILLION individual tax returns; and
  - Issue approximately \$333 BILLION in tax refunds.
- **Identity Theft**
  - FTC - Top Consumer Complaint
  - DOJ - #1 for profit crime
  - IRS - #1 tax scam for 2013
- **There are BILLIONS of Dollars in Undetected Tax Refund Fraud (TIGTA July 2012).**
  - TIGTA's report estimated that the IRS could issue as much as \$21 billion in fraudulent tax refunds over the next 5 years.
  - While the amount of fraudulent tax refunds the IRS detects and prevents is substantial, it is unaware of how many identity thieves are filing fictitious tax returns and how much revenue is being lost due to the issuance of fraudulent tax refunds.



**Consumer Sentinel Network**  
**Top 10 Reported Company Countries**  
**for Fraud Complaints<sup>1</sup>**  
*January 1 – December 31, 2012*

Rank	Company Country	Complaints	Percentages <sup>1</sup>
1	United States	650,256	83%
2	Canada	44,411	6%
3	United Kingdom	14,950	2%
4	Nigeria	9,977	1%
5	India	8,415	1%
6	China	6,029	1%
7	Jamaica	5,951	1%
8	Spain	4,299	1%
9	Mexico	4,251	1%
10	Philippines	3,556	<1%

<sup>1</sup>Percentages are based on the number of fraud complaints received by the FTC between January 1 and December 31, 2012 where consumers reported a company country name (782,460). Seventy-three percent of CSN fraud complaints received by the FTC during this time period reported the company country name.

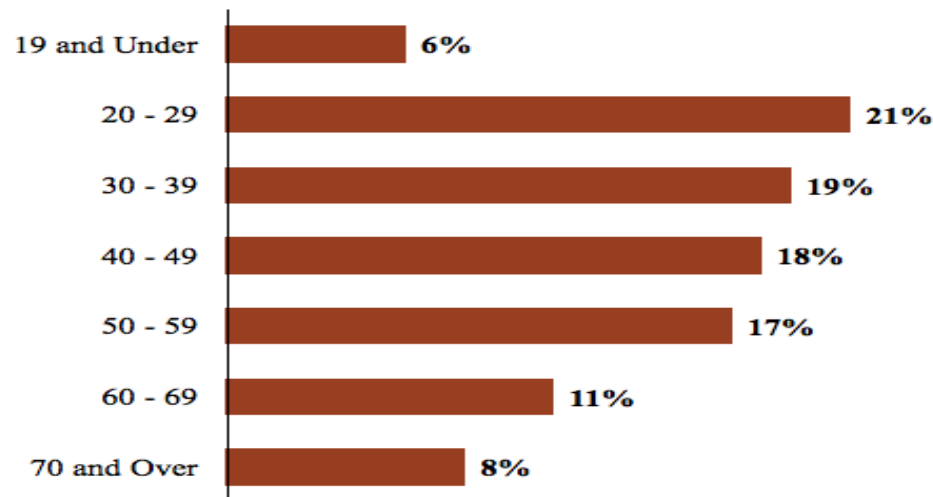
Note: Company country names appear as reported by consumers and may not reflect where the company is actually located.



# Everyone is Susceptible to Becoming a Victim

- **Victims are from all walks of life**, including *police officers, potential U.S. Marine recruits, members of the Armed Forces, holocaust survivors, school children, toddlers, hospital patients, the elderly and infirm, incarcerated prisoners, and even the dead.*

**Consumer Sentinel Network Identity Theft Complaints  
by Victims' Age<sup>1</sup>**  
*January 1 – December 31, 2012*



- Even two dozen Tampa police officers, including *one whose job it is to investigate identity-theft fraud*, had their identities stolen & tax refunds diverted in 2012.



# Tax-Related Identity Theft

- **Generally**

- The thief steals a TP's identity for the purpose of obtaining a fraudulent refund or reporting income related to unauthorized employment.

- **Types of Tax-Related Identity Theft**

- Refund-Related Identity Theft
  - Fraudulently Filed Tax Returns
- Employment-Related Identity Theft
  - Misreported Income



# IDENTITY THEFT AS IT RELATES TO TAXES

## *Description of Refund and Employment-Related Fraud*

- The identity thief steals a taxpayer's Personally Identifiable Information. Personally Identifiable Information includes an individual's:

- Name and Address.
- Telephone Number.
- Social Security Number.
- Bank Account Number.
- Date of Birth.
- Biometrics (eye color, height, etc.).

### **Identity Theft**



- The identity thief uses the information to file a fraudulent tax return, reporting fictitious wages and withholdings, and obtains a tax refund.

- The taxpayer attempts to file his or her tax return, but the IRS rejects it because it is a duplicate filing with the same Social Security Number.
- The taxpayer's refund is held while the IRS determines the true owner of the Social Security Number.

### **Refund Fraud**



- The identity thief uses the information to obtain employment. The income is reported to the IRS.

- The IRS completes its income matching for the tax year.
- If the income is not reported by the person who earned it using the stolen Social Security Number, the IRS sends the taxpayer an underreporter notice stating that the income and payment information does not match what the taxpayer reported on his or her tax return.

### **Employment-Related Fraud**



*Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of the identity theft process as it affects the IRS and taxpayers.*

# Types of Tax-Related Identity Theft

## Refund-Related Identity Theft

- Fraudulent return is filed using stolen personal information to obtain the refund.

## Employment-Related Identity Theft

- Stolen information used to obtain employment & income is reported on a fictitious W-2 by individuals who either are not eligible to work in the U.S., Children, Senior Citizens, and even the deceased.

## 2013 Filing Season

- Approximately 78% of all returns processed resulted in refunds.
- The average refund was \$2,650.
- Through May 2013, the IRS has issued over 770,000 IP Pins up from 252,000 for the year of 2012.
- As of June 29, 2013, the IRS had identified almost 1.9 million incidents of identity theft thus far in CY 2013.
- As of June 30, 2013, the IRS reports that during the 2013 Filing Season it stopped the issuance of \$4.2 billion in potentially fraudulent tax refunds associated with almost 860,000 tax returns classified as involving identity theft.
  - 135% increase from 2012
  - 80% of flagged returns were legitimate.
  - 80 filters were used in 2013 instead of 11 in 2012

# Consequences of Identity Theft

- Tax refund delays.
- Correspondence audit
- Loss Time to clear individual's name and credit.
- IRS has only limited resources and although it spent about \$330M in 2012, it needs more resources.
- Former Commissioner called for real time matching.

# Identity Theft – Corrective Actions

- For tax and nontax ID theft – report to the FTC at 877-438-4338, [ftc.gov/complaint](http://ftc.gov/complaint), or TTY 866-653-4261.
- File a report with the local police
- Close any affected bank and credit cards.
- Inform credit bureaus and consider a credit freeze. Credit freeze laws vary from State to State, but generally restrict access to credit reports making it unlikely that thieves can open a new account.
- If personal information is lost or stolen during the year, contact the IRS Identity Protection Specialized Unit at 800-908-4490 and complete Form 14039, if necessary. BE PATIENT. Nina Olsen in her semiannual report noted that “this unit has been UNABLE to answer 2 out of every 3 calls received from taxpayers during the 2012 year. At times during the filing season, it was answering only about one out of nine calls it received – and the average wait exceeded an hour.
- Respond to all IRS notices immediately using the name and number printed on the notice.

# Identity Theft – Corrective Actions

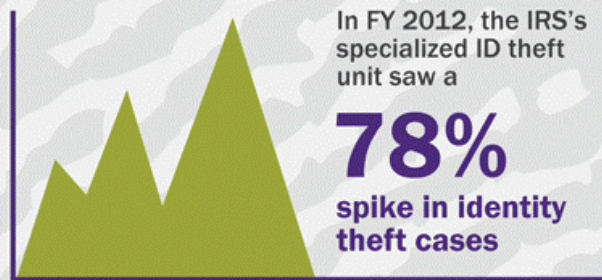
- Tax preparers should ask their clients if they received an IP PIN.
- File a complaint with Internet Crime Complaint Center which is a partnership with the FBI and the National White Collar Crime Center.  
<http://www.ic3.gov/default.aspx>
- Report phishing to [phishing@irs.gov](mailto:phishing@irs.gov)
- Notify California Attorney General and file Identity Theft: Application for Registration As Victim.  
[http://oag.ca.gov/sites/all/files/agweb/pdfs/idtheft/forms/bciis\\_8050.pdf?](http://oag.ca.gov/sites/all/files/agweb/pdfs/idtheft/forms/bciis_8050.pdf?)
- Check out the State of California Department of Justice Office of Attorney General. <https://oag.ca.gov/idtheft/facts/victim-checklist>
- Contact the FTB and fill out form 3552. Telephone: 916-845-3669. [https://www.ftb.ca.gov/individuals/id\\_theft.shtml](https://www.ftb.ca.gov/individuals/id_theft.shtml)
- Contact the U.S. Postal Service. <https://postalinspectors.uspis.gov/>



# Tax-Related Identity Theft is Increasing

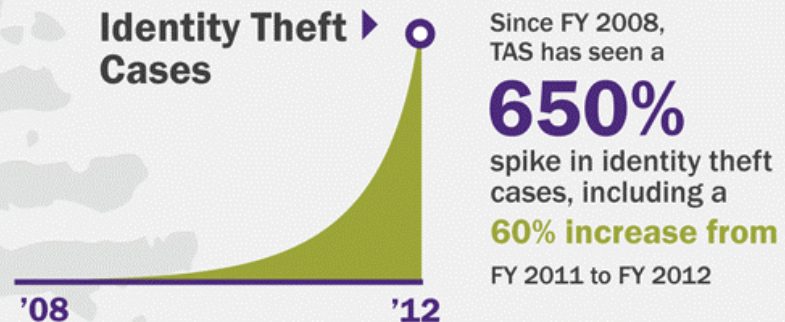
The tax-related identity theft crisis is growing at an alarming pace

## IRS



## Taxpayer Advocate Service

### Identity Theft Cases



As of Sept. 2012

**650,000** identity theft cases within IRS remain unsolved





# Working Tax-Related Identity Theft Cases

## 1. Gather Supporting Documentation: See I.R.M. 10.5.3.2.7

### A. Authentication of Taxpayer's Identity:

- Copy of a valid federal or state government issued form of identification such as a passport, driver's license, state identification card, or Social Security card.

### B. Evidence of Identity Theft:

1. Police report; or
2. A completed Form 14039 - "IRS Identity Theft Affidavit"
  - Form 14039 requires the Taxpayer Signature
  - See I.R.M. 10.5.3.2.7.2, Complete and Legible Documents
  - Form 14039 should be faxed to the IRS at 1-855-807-5720

# FORM 14039 (Identity Theft Affidavit)

<b>Form 14039</b> Rev. December 2012	Department of the Treasury - Internal Revenue Service <h2 style="margin: 0;">Identity Theft Affidavit</h2>	<b>OMB Number</b> 1545-1648
Complete and submit this form if you are an actual or potential victim of identity theft and would like the IRS to mark your account to identify any questionable activity. Check only one of the following two boxes if they apply to your specific situation. (Optional for all filers)		
<input type="checkbox"/> I am submitting this form in response to a mailed notice or letter from the IRS. <input type="checkbox"/> I am completing this form on behalf of another person, such as a deceased spouse or other deceased relative. You should provide information for the actual or potential victim in Sections A, B, & D.		
<b>Note to all filers:</b> Failure to provide required information on BOTH sides of this form AND clear and legible documentation will delay processing.		
<b>Section A – Reason For Filing This Form</b> (Required for all filers) Check only ONE of the following two boxes. You MUST provide the requested description or explanation in the lined area below.		
<b>1</b> <input type="checkbox"/> I am a victim of identity theft AND it is affecting my federal tax records.  <i>You should check this box if, for example, your attempt to file electronically was rejected because someone had already filed using your Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN), or if you received a notice or correspondence from the IRS indicating someone was otherwise using your number.</i>  Provide a short explanation of the problem and how you were made aware of it.	<b>2</b> <input type="checkbox"/> I have experienced an event involving my personal information that may at some future time affect my federal tax records.  <i>You should check this box if you are the victim of non-federal tax related identity theft, such as the misuse of your personal identity information to obtain credit. You should also check this box if no identity theft violation has occurred, but you have experienced an event that could result in identity theft, such as a lost/stolen purse or wallet, home robbery, etc.</i>  Briefly describe the identity theft violation(s) and/or the event(s) of concern. Include the date(s) of the incident(s).	
<b>Section B – Taxpayer Information</b> (Required for all filers)		
Taxpayer's last name	First name	Middle initial
The last 4 digits of the taxpayer's SSN or the taxpayer's complete individual Taxpayer Identification Number (ITIN)		
Taxpayer's current mailing address (apt., suite no. and street, or P.O. Box)		
City	State	ZIP code
Tax year(s) affected (Required if you checked box 1 in Section A above)		Last tax return filed (year) (If you are not required to file a return, enter NRF and do not answer the next two questions)
Address on last tax return filed (If same as current address, write "same as above")		
City (on last tax return filed)	State	ZIP code
<b>Section C – Telephone Contact Information</b> (Required for all filers)		
Telephone number (include area code)	<input type="checkbox"/> Home <input type="checkbox"/> Work <input type="checkbox"/> Cell	Best time(s) to call
I prefer to be contacted in (select the appropriate language) <input type="checkbox"/> English <input type="checkbox"/> Spanish <input type="checkbox"/> Other _____		
<b>Section D – Required Documentation</b> (Required for all filers) Submit this completed form and a clear and legible photocopy of at least one of the following documents to verify your identity. If you are submitting this form on behalf of another person, the documentation should be for that person. If necessary, enlarge the photocopies so all information and pictures are clearly visible. Check the box next to the document(s) you are submitting: <input type="checkbox"/> Passport <input type="checkbox"/> Driver's license <input type="checkbox"/> Social Security Card <input type="checkbox"/> Other valid U.S. Federal or State government issued identification** ** Do not submit photocopies of federally issued identification where prohibited by 18 U.S.C. 701 (e.g., official badges designating federal employment).		

Form 14039 (Rev. 12-2012) Catalog Number 52525A      www.irs.gov      Department of the Treasury - Internal Revenue Service

<b>Form 14039</b> Rev. December 2012	Department of the Treasury - Internal Revenue Service <h1 style="margin: 0;">Identity Theft Affidavit</h1>	<b>OMB Number</b> 1545-1648
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**Section E – Representative Information** (Required only if completing this form on someone else's behalf)

If you are completing this form on behalf of another person, you **must** complete this section and attach **clear and legible** photocopies of the documentation indicated.

Check only **ONE** of the following four boxes next to the reason why you are submitting this form

☐ The taxpayer is deceased and I am the surviving spouse. *(No attachments are required)*

☐ The taxpayer is deceased and I am the court-appointed or certified personal representative.

☐ Attach a copy of the court certificate showing your appointment.

☐ The taxpayer is deceased and a court-appointed or certified personal representative has not been appointed.

☐ Attach a copy of the death certificate or the formal notification from the appropriate government office informing the next of kin of the decedent's death. Indicate your relationship to the decedent: \_\_\_\_\_

☐ The taxpayer is unable to complete this form and I have been appointed conservator or have Power of Attorney (POA) authorization.

☐ Attach a copy of the documentation showing your appointment as conservator or your POA authorization.  
 If you are the POA and have been issued a CAF number by the IRS, enter it here: \_\_\_\_\_

Representative's name

Current mailing address

City	State	ZIP code
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**Section F – Penalty Of Perjury Statement and Signature** (Required for all filers)

Under penalty of perjury, I declare that, to the best of my knowledge and belief, the information entered on this form is true, correct, complete, and made in good faith.

Signature of taxpayer or representative of taxpayer \_\_\_\_\_ Date signed \_\_\_\_\_

**Instructions for Submitting this Form**  
 Submit this form and clear and legible copies of required documentation using **ONE** of the following submission options.  
**Mailing And faxing this form WILL result in a processing delay.**

<b>By Mail</b>	<b>By FAX</b>
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**If you checked Box 1 in Section A and are unable to file your return electronically because the primary and/or secondary SSN was misused**, attach this form and documentation to your paper return and submit to the IRS location where you normally file. **If you have already filed your paper return**, submit this form and documentation to the IRS location where you normally file. Refer to the "Where Do You File" section of your return instructions or visit IRS.gov and input the search term "Where to File".

**If you checked Box 1 in Section A and are submitting this form in response to a notice or letter received from the IRS**, return this form and documentation with a copy of the notice or letter to the address contained in the notice or letter.

**If you checked Box 2 in Section A (you do not currently have a tax-related issue)**, mail this form and documentation to:

**Internal Revenue Service**  
**PO Box 9039**  
**Andover, MA 01810-0939**

**If you checked Box 1 in Section A and are submitting this form in response to a notice or letter received from the IRS that shows a reply FAX number**, FAX this completed form and documentation with a copy of the notice or letter to that number. Include a cover sheet marked "Confidential." If no FAX number is shown, follow the mailing instructions on the notice or letter.

**If you checked Box 2 in Section A (you do not currently have a tax-related issue)**, FAX this form and documentation to: (855) 807-5720.

**NOTE:** The IRS does not *initiate* contact with taxpayers by email, fax, or any social media tools to request personal or financial information. Report unsolicited email claiming to be from the IRS and bogus IRS websites to [phishing@irs.gov](mailto:phishing@irs.gov).

**NOTE:** For more information about questionable communications purportedly from the IRS, visit IRS.gov and input the search term "Fake IRS Communications".

Other helpful identity theft information may be found on [www.irs.gov/uac/identity-protection](http://www.irs.gov/uac/identity-protection). Additionally, locations and hours of operation for Taxpayer Assistance Centers can be found at [www.irs.gov](http://www.irs.gov) (search "Local Centers").

**Note:** The Federal Trade Commission (FTC) is the central federal government agency responsible for identity theft awareness. The IRS does not share taxpayer information with the FTC. Refer to the FTC's website at [www.identitytheft.gov](http://www.identitytheft.gov) for additional information, protection strategies, and resources.

**Privacy Act and Paperwork Reduction Notice**

Our legal authority to request the information is 26 U.S.C. 6001.

The primary purpose of the form is to provide a method of reporting identity theft issues to the IRS so that the IRS may document situations where individuals are or may be victims of identity theft. Additional purposes include the use in the determination of proper tax liability and to relieve taxpayer burden. The information may be disclosed only as provided by 26 U.S.C. 6103. Providing the information on this form is voluntary. However, if you do not provide the information it may be more difficult to assist you in resolving your identity theft issue. If you are a potential victim of identity theft and do not provide the required submission information, we may not be able to place a marker on your account to assist with future protection. If you are a victim of identity theft and do not provide the required information, it may be difficult for the IRS to determine your correct tax liability. If you intentionally provide false information, you may be subject to criminal penalties.

We are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:WAC:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send this form to this address. Instead, see the form for filing instructions. Notwithstanding any other provision of the law, no person is required to respond to, nor shall any person be subject to a penalty for failure to comply with, a collection of information that is not required by the requirements of the Paperwork Reduction Act, unless the collection of information displays a currently valid OMB Control Number.

Form <b>14039</b> (Rev. 12-2012) Catalog Number 525255A	www.irs.gov	Department of the Treasury - Internal Revenue Service
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# Working Tax-Related Identity Theft Cases

## 2. Power of Attorney - At Least 10 Years

- Be sure to include at least 10 years on the POA because the ID theft problem may have occurred long before the client became aware of it.
- *Substantiation Documentation* can be accepted from the TP or someone who has POA for the TP (e.g., Form 2848, Power of Attorney and Declaration of Representative).

**2848** Power of Attorney and Declaration of Representative  
OMB No. 1545-0150  
For IRS Use Only

Form 2848 (Rev. 10-2012)  
Department of the Treasury  
Internal Revenue Service

Received by: \_\_\_\_\_  
Name \_\_\_\_\_  
Telephone \_\_\_\_\_  
Function \_\_\_\_\_  
Date \_\_\_\_/\_\_\_\_/\_\_\_\_

**Part I Power of Attorney**  
Caution: A separate Form 2848 should be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.

**1 Taxpayer information.** Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address \_\_\_\_\_ Taxpayer identification number(s) \_\_\_\_\_  
Daytime telephone number \_\_\_\_\_ Plan number (if applicable) \_\_\_\_\_

I hereby appoints the following representative(s) as attorney(s)-in-fact:  
**2 Representative(s)** must sign and date this form on page 2, Part II.

Name and address \_\_\_\_\_ CAF No. \_\_\_\_\_  
PTIN \_\_\_\_\_  
Telephone No. \_\_\_\_\_  
Fax No. \_\_\_\_\_  
Check if to be sent notices and communications ☐ Check if new Address ☐ Telephone No. ☐ Fax No. ☐

Name and address \_\_\_\_\_ CAF No. \_\_\_\_\_  
PTIN \_\_\_\_\_  
Telephone No. \_\_\_\_\_  
Fax No. \_\_\_\_\_  
Check if to be sent notices and communications ☐ Check if new Address ☐ Telephone No. ☐ Fax No. ☐

Name and address \_\_\_\_\_ CAF No. \_\_\_\_\_  
PTIN \_\_\_\_\_  
Telephone No. \_\_\_\_\_  
Fax No. \_\_\_\_\_  
Check if to be sent notices and communications ☐ Check if new Address ☐ Telephone No. ☐ Fax No. ☐

I represent the taxpayer before the Internal Revenue Service for the following matters:  
**3 Matters**

Description of Matter (Income, Employment, Payroll, Excise, Estate, Gift, Whistleblower, Practitioner Discipline, PUA, FOIA, Civil Penalty, etc.) (see instructions for line 3)	Tax Form Number (1040, 941, 720, etc.) (if applicable)	Year(s) or Period(s) (if applicable) (see instructions for line 3)

**4** Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for line 3. **Specific Use Not Recorded on CAF**

**\*Retain copies of all documentation submitted.**

# Working Tax-Related Identity Theft Cases

## 3. Collect and Review Additional Documentation:

- Order and review all available wage & income, account, return transcripts as well as a record of account.
- Gather clients' prior tax returns.
- Documents substantiating income for the year(s) at issue.
- TP's earnings history, which can be requested from the SSA.
- Form 433-F with substantiating documentation.
- Bank statements showing deposits and withdrawals for the year(s).
- Birth certificates and statements from siblings & parents.
- Freedom of Information Act (FOIA) Request.



# Working Tax-Related Identity Theft Cases

## 4. Contact the Internal Revenue Service:

- Contact Identity Protection Specialized Unit (IPSU)
  - Practitioner should report identity theft to IPSU (1-800-908-4490).
- Contact Function(s) that generated the underlying tax issue(s)
  - Prior to contacting the Function, consult the relevant I.R.M. Sections.
- Contact Taxpayer Advocate Service (TAS)
  - Consider contacting TAS – if *economic hardship* or *unreasonable delay* exists in processing information or adjusting TP's account (See Form 911).
- Follow up with IPSU, Function(s) & TAS at least every 60 days
- Contact Practitioner's Priority Service to see if invalid return posted to IMF.

## Working Tax-Related Identity Theft Cases

- Identify theft tracking indicators on account & ask about notes
- Tracking identity theft — See I.R.M. 10.5.3
- 1. Action Code 501: ID Theft affecting tax administration- **Identity Theft Resolved and Account Adjusted**. Triggers application of business filters & possible global review. Once posted, IRS sends acknowledgement notice to TP.
- 2. Action Code 504: Identity theft not affecting tax administration. Applied only if TP contacts IPSU. No case action triggered & only entered by IPSU.
- 3. Action Code 505: IRS Data Loss Incidents.
- 4. Action Code 506: IRS-Identified ID Theft affecting tax administration. Triggers application of business filters & possible global review. Once posted, the Function will notify TP by letter that someone may have attempted to use SSN.
- 5. Action Code 522: TP or IRS-Identified ID Theft – **Received substantiation, Account Not Yet Resolved**.



## Timing - When Was the Identity Theft Discovered? Pre-filing

### 5. TIMING – When Was the ID Theft Discovered?

#### A) Pre-filing - Unable to File Return

- Client first discovers the ID theft when the TP tries to file a current return electronically, and it is rejected because a fraudulent return was already filed.
- **Paper file the victim's tax return, write "identity theft" on the top and attach a completed Form 14039.**



# Timing - When Was the Identity Theft Discovered?

## Pre-assessment

### B) Pre-assessment - Identity Theft

- Easier than post-assessment.
- Generally need substantiating documentation before account adjusted.
- Contact IPSU, Practitioner's Priority Service & TAS, if appropriate.
- **File Tax Court Petition if Still Time After Statutory Notice.**
  - Consider filing a Tax Court Petition if a statutory notice has been issued and the time to file a Tax Court Petition not has run.





# Timing - When Was the Identity Theft Discovered?

## Post-assessment



### C) Post – assessment

#### 1. When working with ACS:

- **Collection Due Process or Equivalent Hearing – Form 12153:**
  - Generally, TP can challenge a liability in a CDP hearing if TP had no prior opportunity to contest the liability at the Appeals level.
  - Often times statutory notice is sent to the perpetrator instead of TP.
  - Therefore, CDP hearing may offer the best chance to dispute the assessment.
  - Get the account placed in CNC status, if TP qualifies.
- ACS cannot adjust TP's account when balance due is the result of Service's assessment. Instructed to forward case to the Function responsible for assessment.

#### 2. When working with a Revenue Officer:

- If the case has been assigned to a R.O., the procedure will be similar to pre-assessment resolution.
- Submit substantiating documentation to the R.O., who has the power to adjust the account and place a hold on collection action.
- Get liens & levies released/withdrawn.

# Identity Theft in Offer-in-Compromise Cases

## D) Identity Theft in OIC Cases:

- IRS issued guidance (SBSE-05-1112-074) November 15, 2012 on required actions for processing of OIC cases that have an identity theft issue.
- Guidance added a new section to the I.R.M., Section 5.8.4.23.5, “Identity Theft” and provides instructions for each step of the process in investigating identity theft allegations related to an OIC.
- According to guidance, the allegation or identification of identity theft should not prohibit investigation of an OIC.
  - See IRS Memorandum (SBSE-05-1112-074) on Processing Identity Theft Issues in OIC Cases.

# No Balance Due Cases

## E) No Balance Due

- Perhaps the hardest cases to resolve & are often refund-related cases.
- TPs may not realize that they are victims of identity theft until their benefits have been reduced.
- As proactive measure, consider filing a return even if not required.
- Practitioner should:
  - First, contact IPSU to report the identity theft.
    - IPSU will be able to collect documentation & forward the case to the appropriate Function.
  - Consider contacting TAS and submitting a Form 911.
    - If IPSU or the Function assigned the case is unable to assist with the matter, consider submitting a Form 911.
  - Advise TP that other agencies may be affected by identity theft.

# Pursing Refunds

## F) Refunds

- Resolution should include pursuing all refunds to which TP is entitled.
- Same rules regarding refunds generally apply in identity theft cases.



# Tax-Related Identity Theft Resolution

- **What to expect**

- IP PIN in writing within a couple of weeks
- IRS updates records, everything from the IRS will be in writing
- IRS issues refund

- **Case Review**

- In a May 2012 report, TIGTA selected a sample of 17 identity theft cases. The report found that the IRS had opened 58 cases for those 17 victims. The average cycle time for those cases was 414 days, which included an average of 88 days of inactivity.

# Other Legal Issues Related to Identity Theft

Tax practitioners dealing with identity theft should have some familiarity with other legal issues and the steps victims can take to protect themselves.

## Consumer Problems

- *Credit.* False use of a taxpayer's SSN can result in damage to a client's credit rating, making it difficult for the client to get access to credit.
- *Banking.* Check and debit card fraud can cost a taxpayer. An identity thief may be able to access the client's current accounts or may open new accounts.
- *Housing and Employment.* Many landlords and potential employers check credit reports before renting to a taxpayer. Incorrect credit report entries may cause the denial of housing or employment.

# Other Legal Issues Related to Identity Theft

## Consumer Problems (continued)

- *Phone or Utilities Fraud.* An identity thief establishes phone or utility accounts in a taxpayer's name. The utilities may pursue the taxpayer for payment and may deny future service if the bills are unpaid.
- *Issues Related to Debt and Collection*
  - If a taxpayer's identity has been stolen for tax purposes, it may have been used to obtain loans, goods, or services. A taxpayer could be contacted by collection agencies or sued for money the client never borrowed.
  - For these reasons, it is critical to review credit report regularly, and correct any incorrect information.
  - One free credit report is available annually from each of the three credit reporting agencies to each requestor.

# Other Legal Issues Related to Identity Theft

## Consumer Problems (continued)

- Contact the credit reporting bureaus to request copies of credit reports and to ask that a fraud alert be placed on your account:
  - Equifax: 800-522-6285 ([equifax.com](http://equifax.com))
  - Experian: 888-397-3742 ([experian.com](http://experian.com))
  - TransUnion 800-680-7289 ([transunion.com](http://transunion.com))





# Protection

- Pull a credit report and review activity for unauthorized use.
- Consider enrolling in a credit monitoring service (Life Lock, Equifax Credit, Bank of America Credit Assist).
- Protect electronic data with encryption, company policy and insurance.
- Ensure computer/networks have the latest and best anti-virus software programs installed, and continually updated.
- Consult IRS and FTC websites for additional tips



# Other Legal Issues Related to Identity Theft

## Encourage the victim to be proactive.

- Contact the State Attorney General's Office
  - IRS will share income with state
  - Note that resolving the identity theft issue at the Federal level does not mean the issue is resolved automatically at the State level
- Contact SSA at 1-800-772-1213 and visit the SSA website at [www.ssa.gov/pubs/10064.html](http://www.ssa.gov/pubs/10064.html);
- File a police report;
- Visit the IRS's website <http://www.irs.gov/privacy/article/0id=186436,00.html> for additional links and consult Publication 4535, *Id Theft and Victim Assistance*;
- Close any accounts that have been opened or tampered with fraudulently.

# Applying for a New Social Security Number

- Circumstances in which the SSA will assign a different Social Security Number
  - Sequential numbers have been assigned to members of the same family and are causing problems;
  - More than one person has been assigned, or is using, the same number;
  - An individual has religious or cultural objections to certain numbers or digits in the original number;
  - **A victim of identity theft continues to be disadvantaged by using the original number; or**
  - Situations of harassment, abuse, or life endangerment, including domestic violence, has occurred.



# Applying for a New Social Security Number

- Once one of these conditions are met, an individual will have to take the following steps:
  - **Step 1:** Complete an application for a Social Security Card

<http://www.socialsecurity.gov/online/ss-5.pdf>

<b>NATIONAL SECURITY ADMINISTRATION</b> <b>Application for a Social Security Card</b>						Form Approved OMB No. 0960-0046		
<b>NAME</b> TO BE SHOWN ON CARD		First		Full Middle Name		Last		
<b>1</b>	FULL NAME AT BIRTH (IF OTHER THAN ABOVE)		First		Full Middle Name		Last	
OTHER NAMES USED								
<b>2</b>	Social Security number previously assigned to the person listed in item 1				<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>			
<b>PLACE OF BIRTH</b> (Do Not Abbreviate)		City		State or Foreign Country		<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>		
<b>5. CITIZENSHIP</b> (Check One)		<input type="checkbox"/> U.S. Citizen		<input type="checkbox"/> Legal Alien Allowed To Work		<input type="checkbox"/> Legal Alien Not Allowed To Work/See Instructions On Page 3)		
<b>6. ETHNICITY</b> Are You Hispanic or Latino? (Your Response is Voluntary) <input type="checkbox"/> Yes <input type="checkbox"/> No		<b>7. RACE</b> Select One or More (Your Response is Voluntary)		<input type="checkbox"/> Native Hawaiian or Alaska Native		<input type="checkbox"/> American Indian or Black/African American		
		<input type="checkbox"/> Male		<input type="checkbox"/> Female		<input type="checkbox"/> Other Pacific Islander		
<b>8. SEX</b>						<input type="checkbox"/> White		
<b>A. PARENT/ MOTHER'S NAME AT HER BIRTH</b>		First		Full Middle Name		Last		
<b>B. PARENT/ MOTHER'S SOCIAL SECURITY NUMBER</b> (See instructions for 9 B on Page 3)		<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>		<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>		<input type="checkbox"/> Unknown		
<b>A. PARENT/ FATHER'S NAME</b>		First		Full Middle Name		Last		
<b>B. PARENT/ FATHER'S SOCIAL SECURITY NUMBER</b> (See instructions for 10B on Page 3)		<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>		<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>		<input type="checkbox"/> Unknown		
Has the person listed in item 1 or anyone acting on his/her behalf ever filed for or received a Social Security number? <input type="checkbox"/> Yes (If "yes" answer questions 12-13) <input type="checkbox"/> No <input type="checkbox"/> Don't Know (If "I don't know," skip to question 14.)								
<b>12. Name shown on the most recent Social Security card issued for the person listed in item 1</b>		First		Full Middle Name		Last		
<b>13. Enter any different date of birth if used on an earlier application for a card</b>		<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>		MM/DD/YYYY				
<b>14. TODAY'S DATE</b> MM/DD/YYYY		<b>15. DAYTIME PHONE NUMBER</b>		Area Code		Number		
<b>16. MAILING ADDRESS</b> (Do Not Abbreviate)		City		State/Foreign Country		ZIP Code		
(I declare under penalty of perjury that I have examined all the information on this form, and on any accompanying statements or forms, and that it is true and correct to the best of my knowledge.)								
<b>17. YOUR SIGNATURE</b>		<b>18. YOUR RELATIONSHIP TO THE PERSON IN ITEM 1 IS:</b>						
		<input type="checkbox"/> Self <input type="checkbox"/> Adoptive Parent <input type="checkbox"/> Legal Guardian <input type="checkbox"/> Other (Specify)						
DO NOT WRITE BELOW THIS LINE (FOR SSA USE ONLY)								
HPI#		DOB		NTI		CAN		
PBC		EVI		EVC		PRA		
EVIDENCE SUBMITTED						SIGNATURE AND TITLE OF EMPLOYER REVIEWING EVIDENCE AND/OR CONDUCTING INTERVIEW		
						DATE		
						DATE		

# Applying for a New Social Security Number

- **Step 2:** Gather documents proving  
Identity;  
U.S. citizenship;  
Immigration status;  
Age (birth certificate or U.S. passport);  
Evidence of legal name change, if applicable; and  
Evidence to support your need for a new Social Security Number.
- **Step 3:** Take completed application and documentation to a Social Security Office or Social Security Card Center.



# Business Identity Theft

## Business Issues Related to Identity Theft

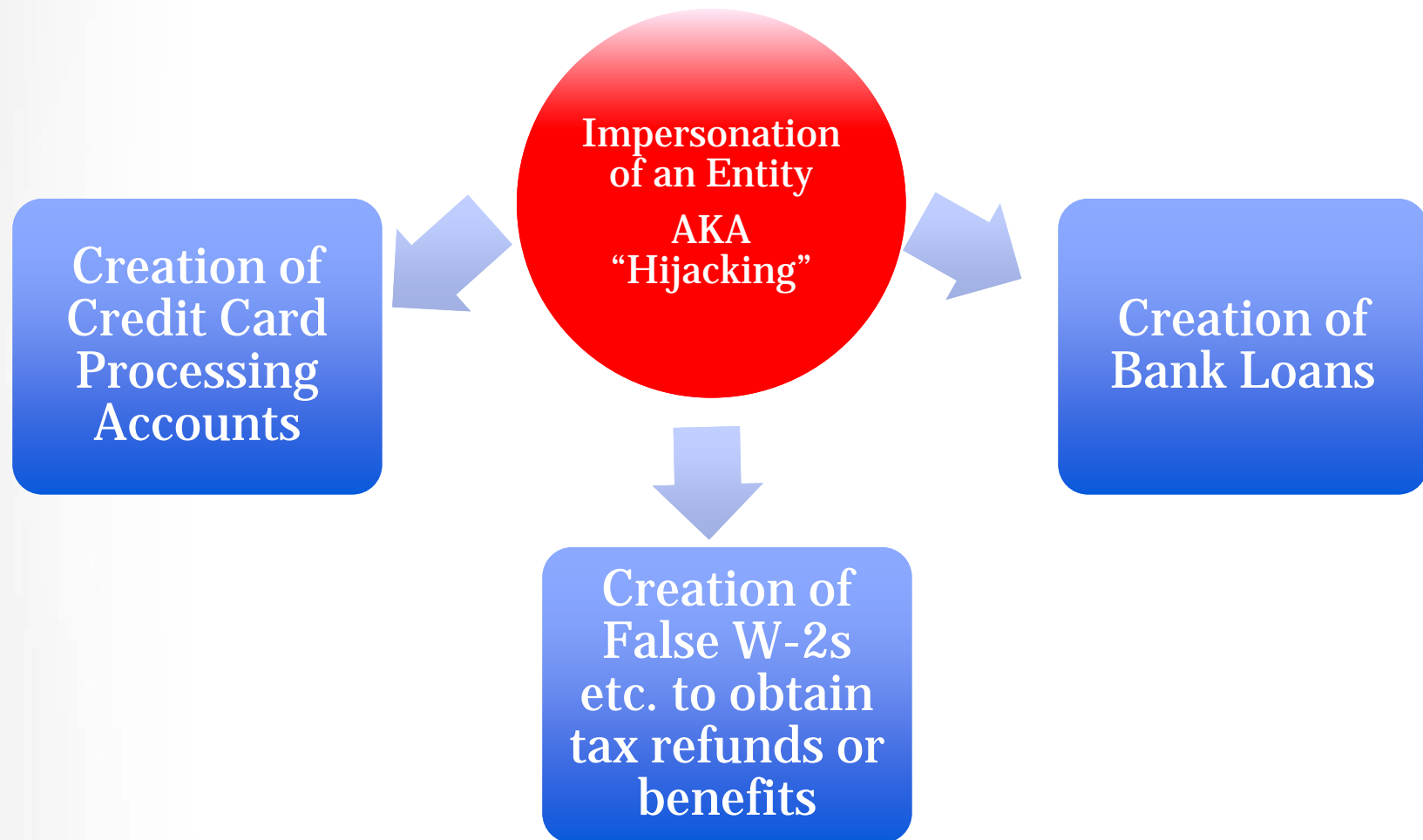
- Business ID theft involves impersonation of the business.
- Businesses of all sizes and structures can be victims of identity theft.
- 60% of all businesses that experience identity theft fail within 1 year of the crime.



## Susceptibility of an Organization's EIN

- EINs are more vulnerable to compromise than SSNs.
- EINs appear on every employee W-2 and are available on several publicly released documents.
- While only one fraudulent tax return can be filed for an individual, many tax returns can be filed with fraudulent W-2s utilizing a single organization's EIN.

# EIN Identity Fraud



# Business Identity Theft: An ID Thief Can Obtain Access to Business Credit

Obtain  
business  
information  
from  
Department of  
State Records

Utilize altered  
records to  
obtain  
authority to act  
on behalf of the  
business

Fraudulently  
alter those  
Department of  
State Records

Apply for  
Credit  
Accounts



# Business Identity Theft: An ID Thief Can Obtain Access to Business Credit

- It is difficult to detect immediately because information on the Secretary of State business records have been altered by the thief.
- Dun & Bradstreet uses the address change from the State records and shows a new business address on its report.
- When the D&B report appears accurate, the thief will be able to obtain loans and credit using the business' identity.



Decide with Confidence

Over 210 million businesses  
in over 200 countries  
available online, instantly

## What an ID Thief needs to create a Counterfeit W-2



➤ In July 2012, the U.S. Treasury estimated 1.5 million fraudulent tax returns went undetected resulting in \$5.2 Billion in fraudulent income tax refunds.

# Employer EIN Tax Return Fraud

Thief files a fraudulent W-2 to receive tax refund.



IRS or defrauded employer fails to detect the fraudulent refund.



IRS will seek to collect unpaid Social Security, Medicare, and Federal Income Tax with interest and penalty.



Business must show that it never paid those wages stated on a fraudulent W-2 or pay the IRS.

# Potential Action for Employers

## Prevention

- Several large employers file their W-2s with the IRS before they become available with the SSA
- IRS receives W-2 information prior to tax filing season
- IRS then engages in W-2 program with tax refund claims

## Detection

- Reconcile tax payments and returns to the payroll system
- Review account transcripts from taxing authorities
- Monitor tax notices
- Zero tolerance policy for paying unexplained tax deficiency notices

## Case Resolution

- Maintain documentation required to prove tax fraud

# Proposed Action for Government

- Truncation of SSN on W-2
- Delay access to SSA's Death Master File
- Stiffer Criminal Sanctions
- Civil Penalty
- Wage information as reported in the National Directory of New Hires
- Require Electronic Filing for 50 or more W-2s
- Quarterly Filing of wage detail (expanded form 941 due date)



# Resources



## Business Identity Theft Resource Guide

A Guide to Protecting Your Business and  
Recovering from Business Identity Theft

- National Association of Secretaries of State (NASS) Business ID Theft Task Force reports, [www.nass.org](http://www.nass.org)

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## Recap - Resolving ID Theft Cases

- Form 2848-Power of Attorney - At Least 10 Years
- Paper file the victim's tax return and attach a completed Form 14039 or police report with a valid government issued ID
- Contact IPSU at 1-800-908-4490
- Contact TAS - if exceptional hardship exists
- Contact three credit bureaus to place a fraud alert
- Follow-up with IPSU every 60 days for status and update





# CONCLUSION

- Always consult the relevant I.R.M. sections.
- Check the IRS' guidelines for updates on the rules governing your specific tax-related id theft related questions because the rules are constantly changing.

\*These slides were prepared on August 8, 2013.

- Good Sources:
  - ***Effectively Representing Your Client Before the IRS***, 5th Edition, Chapter 22: "Resolving Identity Theft in Tax Administration"\* This chapter was written by Robert Wunderle, La Posada Tax Clinic, Twin Falls, ID; Vijay Raghavan, Illinois Attorney General's Office, Chicago, IL; and Susan Morgenstern, Legal Aid Society of Cleveland, Cleveland, OH.
  - ***National Taxpayer Advocate 2012 Annual Report to Congress***, Vol.1, 42-67 (Most Serious Problem: *The IRS Has Failed to Provide Effective and Timely Assistance to Victims of Identity Theft*), by Nina E. Olson, (Dec. 31, 2012), Released Jan. 9, 2013. [www.taxpayeradvocate.irs.gov/2012AnnualReport](http://www.taxpayeradvocate.irs.gov/2012AnnualReport).

## Other Sources

- [www.IRS.gov](http://www.IRS.gov)
- [www.FTC.gov](http://www.FTC.gov)
- **Taxes and Identity Theft Status of IRS Initiatives to Help Victimized Taxpayers**, United States Government Accountability Office, by James R. White, Director Strategic Issues, Released May 25, 2011.
- **Consumer Sentinel Network Data Book for January – December 2012**, Federal Trade Commission, February 2013.
- **Written Testimony of Daniel Werfel, IRS Principal Deputy Commissioner of The IRS, on Tax Fraud and Tax Identity Theft: Preventing Fraud and Aiding Taxpayers**, Before the House Oversight and Government Reform Committee, Subcommittee on Government Operations, August 2, 2013.
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- **The Growing Implications of Employer Identity Theft**, by Deborah Salem, Director, Payroll Information Services, Ernst & Young, May 10, 2013.
- **EY Payroll Newsflash Special Edition: Tax refund scams can involve costly employer identity theft**, by Deborah Salam, CPP and Deborah Sytker, CPA, Ernst & Young, February 22, 2013.
- **Business Identity and Theft Resource Guide: A Guide to Protecting Your Business and Recovering from Business Identity Theft**, State of Colorado, January 24, 2012.
- **National Association of Secretaries of State (NASS) Business ID Theft Task Force reports**, [www.nass.org](http://www.nass.org)
- [www.AICPA.org](http://www.AICPA.org)
- [www.treasury.gov/tigta/](http://www.treasury.gov/tigta/)

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