

**NESTOA**

**North Eastern States Tax Officials Association**

# The World of Identity Theft from the IRS's Point of View

**Becky Chiaramida, Director  
IRS Office of Privacy, Governmental Liaison  
and Disclosure**

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# Identity theft:

It is not a new  
problem

# The 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 this SSN
- More than 40,000 reported this as their own SSN
- As late as 1977, 12 people were still using the SSN

# A persistent threat to taxpayers

- Identity theft: number one consumer complaint reported to FTC
- Incidents related to government benefits
  - most common
  - more complex and
  - require more time and money to detect and resolve
- Over the past few years, the IRS has seen an increase in refund fraud schemes in general and those involving identity theft in particular

# How can identity theft affect one's taxes?

- Scenario 1: refund-related crime
  - Identity thief uses stolen SSN to file forged tax return and obtain refund early in the filing season.
- Scenario 2: employment-related crime
  - Identity thief uses a stolen SSN to obtain employment.

# IRS response

- Identity theft is a top priority for the IRS. We understand this is a frustrating situation for victims.
- While identity thieves steal the information from sources outside the tax system, the IRS is sometimes the first to inform an individual that identity theft has occurred.
- We are committed to continuing to improve our identity theft protection programs.

# Combating tax-related identity theft

- Goal: prevent identity theft and detect refund fraud *before* it occurs and assist taxpayers who are victims
- Actions: Implemented enhanced fraud protection processes for the 2012 filing season
- Developed a comprehensive identity theft strategy focused on:
  - Prevention and detection
  - Protection
  - Victim assistance



# 2012 filing season enhancements

- Developed filters to stop first-time perpetrators
- Developed new tools to identify and prevent misuse of a decedent SSN
- Enhanced functionality of the Identity Protection PIN and expanded population to receive IP PIN

# IRS protection efforts

- Identifying and investigating refund fraud
- Placing identity theft indicators on taxpayer accounts to track and manage identity theft incidents
- Using business filters to analyze returns filed on identity theft victim accounts to ensure legitimate returns are accepted and false returns rejected

# What do identity theft indicators do?

- *Measure* the problem, monitor victims' accounts and develop processes to resolve problems
- *Identify and track* tax-related identity theft problems
- *Prevent* victims from facing the same problems every year
- *Distinguish* legitimate tax returns from fraudulent returns

# Identity Protection PIN

- IP PIN is a six-digit number assigned to a certain group of taxpayers who:
  - Were identified as identity theft victims
  - Submitted required documentation
  - Had their account issues resolved
- Not all taxpayers who have identity theft indicators received IP PINs for the 2011 tax year as the 2011 program was an expansion of pilot begun in 2010
- The 2012 tax year will see a further expansion and more taxpayers included

# What does the IP PIN do?

- Allows legitimate return to bypass identity theft filters
- Allows taxpayers to avoid delays in their federal tax return processing
- Prevents processing of fraudulent returns

# Key IP PIN information

- The IP PIN is specific to the tax year
- A new IP PIN issued every year
- The IP PIN should not be confused with the electronic signature 'self-select' PIN

# What happens if the IP PIN is required but the taxpayer does not input it?

- Electronic return will be rejected
- Taxpayer can request a replacement IP PIN
- Return may be resubmitted with IP PIN
- If a taxpayer lost their IP PIN and did not request a replacement, a paper return must be filed

# Using tax preparation software

- Interview-driven software provides specific prompts for IP PINs and instructions
- Forms-based software provides guidance on IP PIN location
- Using tax preparation software to print/file paper return:
  - IP PIN should not print as part of tax return's record or on paper copies to be mailed
  - Taxpayer should write IP PIN in the space provided on the appropriate 1040 series form



# Form 1040 series and the IP PIN

## Six boxes to right of spouse's occupation

The image shows a portion of the Form 1040 (2011) with a red circle highlighting the Identity Protection PIN (IP PIN) field for the spouse's occupation. The field is labeled "If the IRS sent you an Identity Protection PIN, enter it here (see inst.)" and consists of six empty boxes. The form also shows the "Sign Here" section for the spouse, including fields for signature, date, occupation, and PTN.

71	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> 8839 c <input type="checkbox"/> 8801 d <input type="checkbox"/> 8865	71	
72	Add lines 62, 63, 64a, and 65 through 71. These are your total payments . . . . .	72	
<b>Refund</b>	73 If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid	73	
	74a Amount of line 73 you want refunded to you. If Form 8868 is attached, check here . . . <input type="checkbox"/>	74a	
Direct deposit? See instructions.	b Routing number <input type="text"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d Account number <input type="text"/>		
	75 Amount of line 73 you want applied to your 2012 estimated tax ▶ 75		
<b>Amount You Owe</b>	76 Amount you owe. Subtract line 72 from line 61. For details on how to pay, see instructions ▶	76	
	77 Estimated tax penalty (see instructions) . . . . .	77	
<b>Third Party Designee</b>	Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No		
	Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶ <input type="text"/>
<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
Joint return? See instructions. Keep a copy for your records.	Your signature	Date	Your occupation
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation
			If the IRS sent you an Identity Protection PIN, enter it here (see inst.) <input type="text"/>
<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date
			PTN <input type="text"/>
			Check <input type="checkbox"/> if self-employed
	Firm's name ▶	Firm's EIN ▶	
	Firm's address ▶	Phone no.	

If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

# Victim assistance efforts

- Speed up case resolution
- Provide more training for employees who assist victims of identity theft
- Step up outreach and education so taxpayers can prevent and resolve tax-related identity theft issues quickly

# Identity Protection Specialized Unit

- The IPSU is the central point of contact for taxpayers who are reporting their identity as stolen
  - Toll-free number: 800-908-4490  
Monday - Friday, 7 a.m. - 7 p.m. local time
- Taxpayers can:
  - Self-report they are victims before their tax accounts are affected.

# Employee training

- Updated training for telephone representatives to ensure they maintain proper level of sensitivity when dealing with identity theft victims
- Developed training for employees who are not telephone assistants but interact with taxpayers or otherwise work identity theft cases

# Taxpayer outreach

- Launched new section on IRS.gov dedicated to identity theft matters
- Heightened awareness of identity protection through filing season messages
- Conducted outreach to educate return preparers about the IP PIN and identity theft
- Worked closely with software developers on inclusion of the IP PIN

# 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 the protection of the integrity of the tax filing system through their efforts to authenticate the identity of their clients.

# What about online identity theft?

- A common way to perpetrate online identity theft is through the use of the IRS logo to impersonate the IRS
- Victims respond to online scams and unwittingly provide personal and financial information to the phishers via the following methods:
  - **Phishing** – via the phishing Web form
  - **Malware** – by downloading malicious executable code
  - **Vishing** – via the faxback form

# Online Fraud Detection and Prevention

- **Mission:** To identify and mitigate fraudulent websites and phishing scams that misrepresent the IRS so fewer taxpayers fall victim to fraud schemes.
- **Responsibilities**
  - Combat online scams misrepresenting IRS
    - IRS-related phishing websites and malware
    - Fake e-file/unauthorized e-file sites
    - Misuse of IRS logo and e-file provider graphic



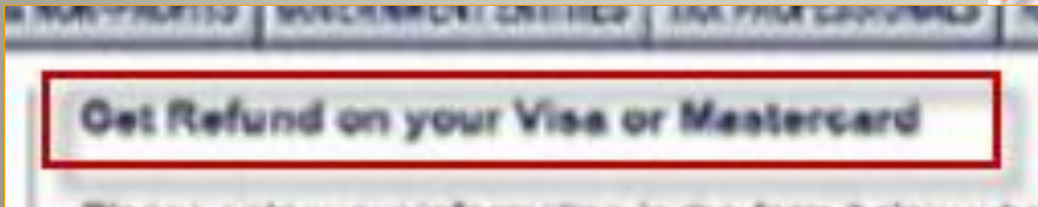
# How does the IRS mitigate online fraud?

- We work closely with registrars, hosting providers, free email providers, and in some cases telecommunications providers
- They assist us by taking these actions
  - De-register malicious domains
  - Remove malicious/fraudulent content
  - Suspend email accounts
  - Disable fax numbers

# Phishing website

This is an image of a typical IRS phishing webpage

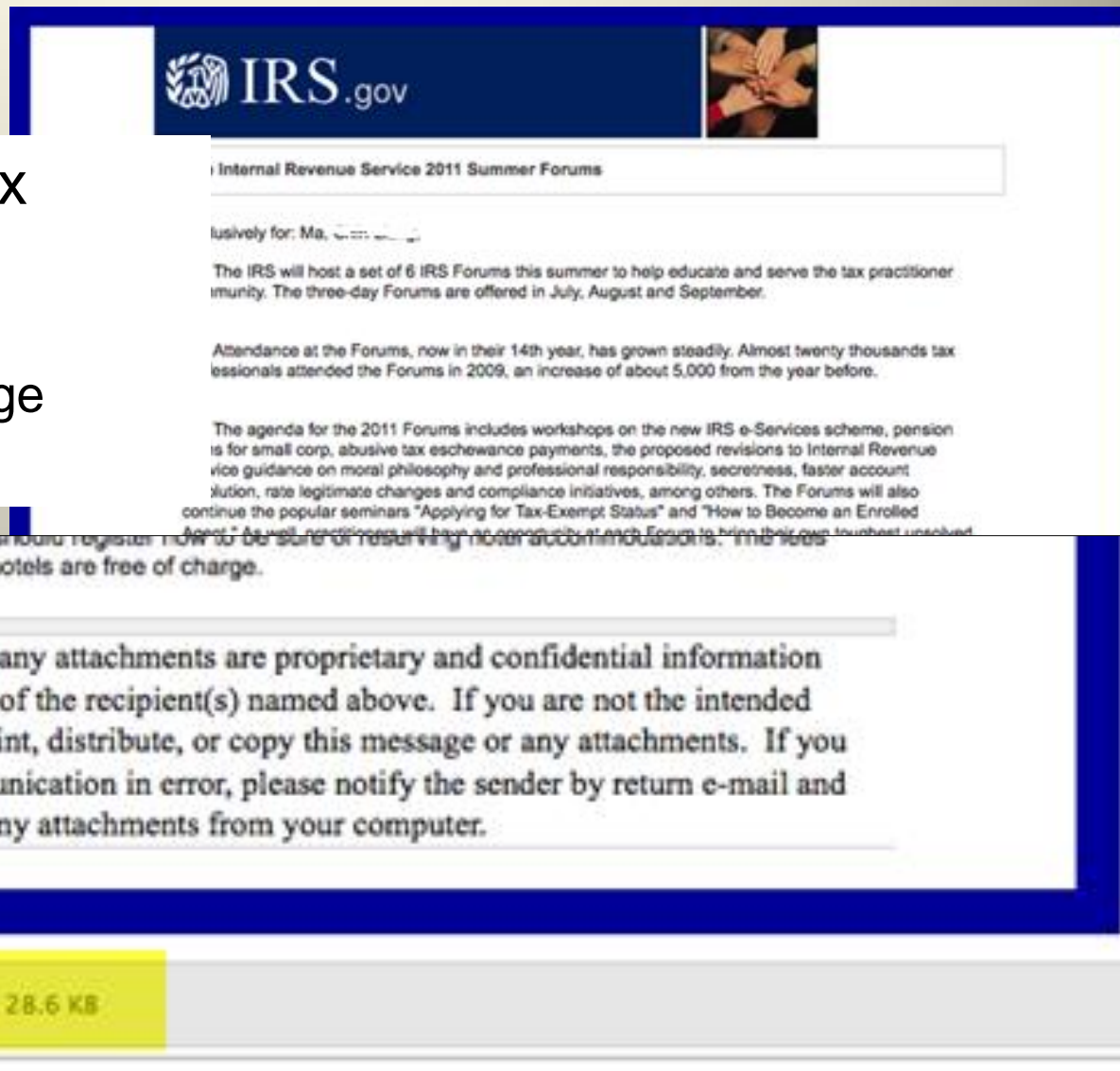
The image shows a phishing website designed to look like an IRS page. At the top, it says 'Revenue Service' and 'Department of the Treasury'. Below that, there are navigation links for 'NON-PROFIT', 'GOVERNMENT ENTITIES', 'TAX PROFESSIONALS', and 'RETIREMENT PLANS'. The main heading is 'Get Refund on your Visa or Mastercard', which is highlighted with a red box. Below the heading, there is a red arrow pointing to the text 'Please enter your information in the form below where refunds will be made.' and a note: 'Note: Do not check your data before submitting this form.' The form itself contains several fields with asterisks indicating required information: Full Name, Address, City, State, Postal Code, Phone, Date of Birth (with a placeholder '(mm/dd/yyyy)'), Social Security Number, Mother's Maiden Name, Card Number, Expiration Date (with dropdown menus for Month and Year), CW / CSC (with a link 'Help finding your CVV?'), Electronic Signature (with '(ATM PIN)' next to it), and Issuing Bank of your Credit Card.



# Malicious email

This message targets tax professionals

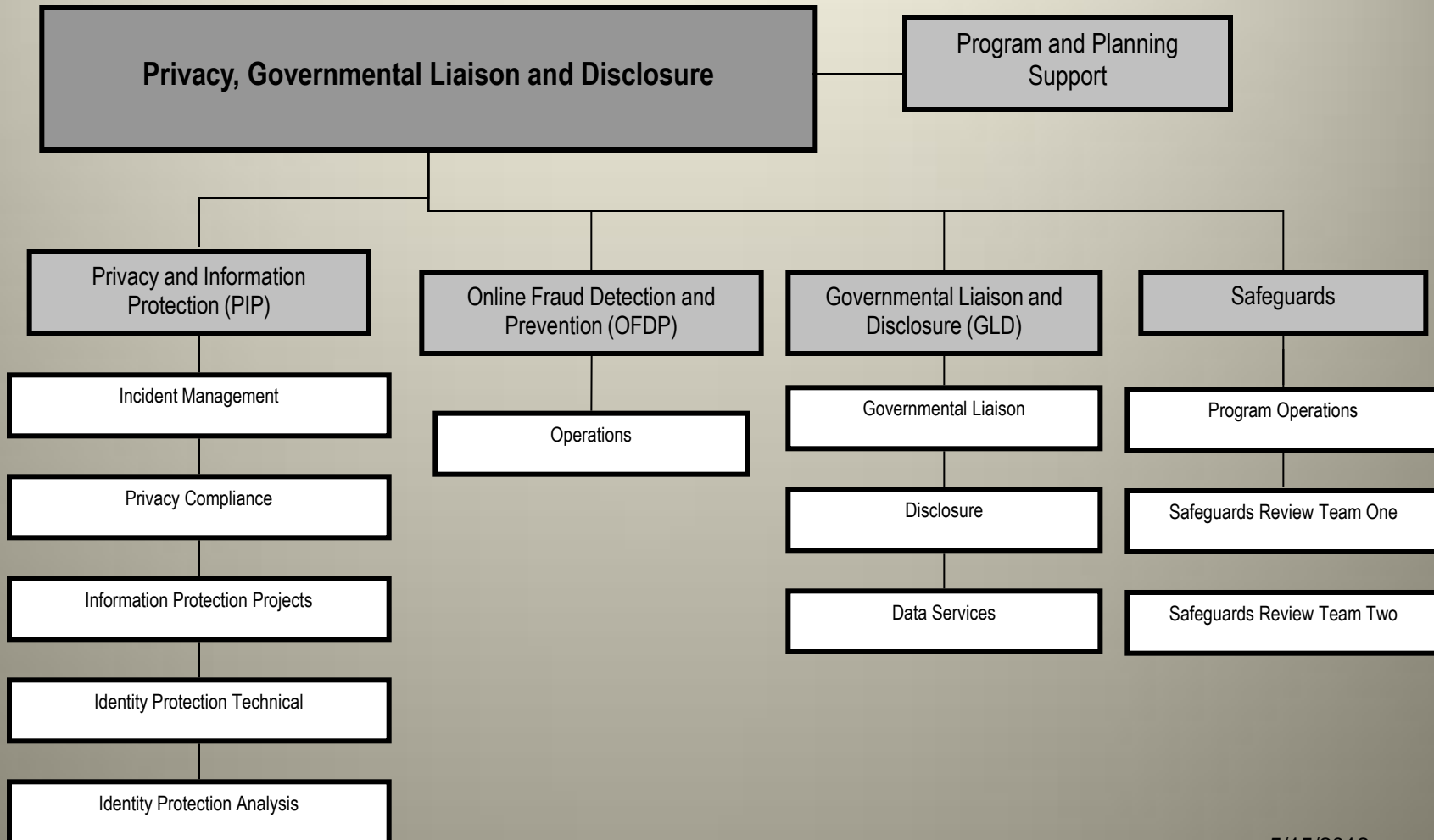
- The malicious code is attached to the message



# IRS offices in PGLD

- Privacy, Governmental Liaison and Disclosure includes these offices to protect taxpayers, prevent identity theft and fraud and develop policy to assist victims:
  - Office of Privacy and Information Protection
  - Online Fraud Prevention and Detection
  - Governmental Liaison
  - Office of Safeguards

# Organizational chart



# OPIP's program offices

- **Identity Protection:** Resolve identity theft tax issues, increase taxpayer awareness of identity theft, build a strong prevention program.
- **Incident Management:** Oversee the IRS's *Personally Identifiable Information Incident Notification Process*.
- **Information Protection Projects:** Provide oversight and guidance for the development and implementation of key privacy projects and initiatives.
- **Privacy Compliance:** Promote and support the protection of privacy and privacy awareness. Integrate privacy into Servicewide business practices, behaviors and technology solutions.

# Governmental Liaison & Disclosure

- **Mission:** To improve tax administration by partnering with federal, state and local governmental agencies to increase compliance, enforcement and service to taxpayers.
- **Responsibilities**
  - Administer IRC Sec. 6103, FOIA and Privacy Act
  - Facilitate outreach and data exchanges with federal, state and local agencies
  - Ensure timely responses to Tax Check requests

# Office of Safeguards

- **Mission:** To ensure Federal Tax Information provided outside the IRS is protected as if it is in IRS hands.
- **Responsibilities:**
  - IRC Section 6103 provides authority for disclosing FTI to local, state and federal agencies. More than nine billion records were disclosed in 2011 to 300+ agencies.
  - Safeguards Advisory Council: Focuses on collaboration and partnership with state revenue agencies to address needs, ideas and emerging issues relating to requirements for safeguarding data.
  - The Safeguards Advisory Council is reviewing and updating Safeguards Publication 1075, *Tax Information Security Guidelines for Federal, State and Local Agencies*, with input from FTA and state revenue agencies.



# The IRS is committed to fighting identity theft

- Fighting identity theft will be an ongoing battle for the IRS
- The identity theft landscape is constantly changing, as identity thieves continue to create new ways of stealing personal information and using it for their gain

# Questions?

