Taxpayers and Identity Theft

Tax related identity theft is a growing problem in our country. Tax return identity theft occurs when someone uses a legitimate taxpayer's personal information to fraudulently file a return and claim a refund. Fortunately, the IRS has taken the issue very seriously and is working to expand their screening process to help eliminate the filing of fraudulent returns. However, it is still important for taxpayers to take precautions, be aware of warning signs, and know what to do if they become a victim.

The majority of the time, taxpayers are unaware that their identity has been stolen until they file their tax return. Thieves normally file fictitious returns early in the tax filing season, before the IRS has received W-2s and 1099s, to avoid information matching done by the IRS. Later, when a taxpayer attempts to file their return electronically, they will get an error message stating that the IRS has rejected the return because a return was already filed using their social security number. If the taxpayer chose to paper file the return, they will eventually receive a letter from the IRS stating the same thing. Similar red flags include receiving an IRS notice regarding wages earned from an unknown employer, a balance due or refund offset, or tax collection actions being taken for a year you did not file a tax return.

If a taxpayer receives an IRS notice relating to identity theft, it is important to respond immediately to the name and number printed on the notice to notify them of the situation. Additionally, the taxpayer will need to complete Form 14039, Identity Theft Affidavit. A downloadable copy of the form can be found on the IRS' website. This form is used to alert the IRS that the taxpayer would like their account monitored for any additional questionable activity. The taxpayer will need to work with the IRS, and their CPA, to get the issue resolved. Oftentimes, this is a lengthy process and will delay any potential refunds.

Once the case is fully resolved, the taxpayer will receive a notice indicating an Identity Protection Personal Identification Number, or an IP PIN, has been placed on their account. An IP PIN is a single use identification number issued to the taxpayer, designed to prevent their tax account from being used by anyone else. The IP PIN will be required to file the tax return and is used to authenticate the taxpayer's identity. A new IP PIN will be

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issued every year to the taxpayer for as long as the identity theft indicator remains on their account.

Although it is impossible to completely protect ourselves from identity theft, we must work hard to minimize the chance of becoming a victim. Below is a list of tips on how to better protect one's identity.

- Check your credit report every 12 months
- Protect your personal computers with firewalls, use antivirus software, and change passwords often
- Don't carry your social security card around with you
- Don't give personal information over the phone
- Secure personal information in your home. For example, copies of tax returns should be kept in a locked file cabinet.
- Protect financial information. For example, use a shredder on documents before discarding them.

Tax related identity theft is only one of many ways a thief can use personal information to harm someone. Unfortunately, damage done can haunt a victim for many years, which is why it is crucial to act immediately. If you are a victim of identity theft and have questions or concerns, contact Zinner & Co. for professional assistance.