



DEPUTY COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

June 18, 2013

The Honorable Marco Rubio
United States Senate
Washington, DC 20510

Dear Senator Rubio:

I am responding to your letter dated February 15, 2013, regarding Florida constituents, particularly senior citizens, who are victims of identity theft. You requested specific information on our efforts to combat identity theft and protect taxpayers from this crime.

I share your concerns about identity theft and refund fraud and the negative effect they have on taxpayers, as well as the burden it places on your state offices. As we have done in previous filing seasons, we developed and implemented a comprehensive identity theft strategy for the 2013 filing season focused on preventing, detecting, and resolving identity theft cases as quickly as possible. In addition, we instituted a number of new procedures in the last few years to improve our ability to prevent tax refund fraud using stolen identities. Several of our efforts are highlighted below.

What action is the IRS taking this year to ensure the American taxpayer is not victimized by fraudulent activity?

The Administration's Fiscal Year (FY) 2014 Budget request provides \$101 million to support the IRS's efforts to prevent identity theft-related refund fraud, protect taxpayers' identities, assist victims of identity theft, and enhance the revenue protection strategy implemented in FY 2013. The increase in funding will support the development and implementation of technology enhancements to identify noncompliant returns before refunds are issued, manage and track workload and case results, send notification letters to taxpayers, and allow third-party data to be used earlier in the filing season. This enhancement will improve detection of fraudulent returns and reduce delays of legitimate refunds due to pre-refund compliance activities.

In FY 2013, we significantly increased the number and accuracy of filters that detect potential identity theft before we issue refunds. We stopped five million returns claiming \$20 billion in fraudulent refunds in FY 2012, up from three million returns claiming \$14 billion in FY 2011. This fiscal year, through April 30, 2013, we have stopped more than 600,000 returns claiming \$3.6 billion in fraudulent refunds. We created and revised technological tools to help employees perform research and resolve identity theft cases

more accurately and efficiently. We issued more than 770,000 Identity Protection Personal Identification Numbers (IP PINs) for the 2013 tax season, up from 250,000 for tax year 2011, to protect the tax accounts of more identity theft victims.

Does the IRS devote additional resources during tax season toward combating identity theft?

We broadened the scope of our employee training to require all employees who might interact with an identity theft victim to take an awareness briefing that includes significant procedural developments, as well as knowledge checks for each key objective. About 37,000 employees completed this training in advance of the 2013 filing season. We realigned some of our departments to bring together the functions responsible for revenue protection, refund compliance, and taxpayer correspondence. We established IRS-wide liaisons for identity theft issues and implemented a referral program for employees to refer cases with the potential for refund fraud.

In October 2012, we established several identity theft specialized groups, in addition to the pre-existing Identity Protection Specialized Unit (IPSU), to assist with processing identity theft cases for the 2013 filing season. These groups provide a single point of contact, i.e., entry point to the IRS, for victims based on origin of the problem. If the taxpayer has only one identity theft-related issue, then the IRS employee who is assigned to work the case is his/her single point of contact. For victims that have multiple issues crossing functions, their cases will continue to be monitored by the IPSU and they will be given the IPSU number as their single point of contact.

We more than doubled staffing resources dedicated to working identity theft cases this year. We now have more than 3,000 employees working identity theft issues. In all identity theft situations, our employees work with each victim to resolve his/her particular situation. Identity theft cases are becoming increasingly complex, involving a manual authentication and review process to ensure we resolve the case satisfactorily for the victim. We are working to speed up case resolution, provide more training for our employees who assist victims of identity theft, and increase outreach to and education of taxpayers and tax return preparers so they can prevent and resolve tax-related identity theft issues quickly.

What future steps does the IRS plan to take in order to protect American taxpayers from this crime?

In January 2013, the IRS, in a joint effort with the Department of Justice (DOJ) and local U.S. Attorneys' offices, conducted a national sweep targeting identity theft suspects in 32 states and Puerto Rico, which involved 215 cities and their surrounding areas. The coast-to-coast effort against 389 identity theft suspects led to 734 enforcement actions in January, including indictments, complaints, and arrests. The effort comes on top of a growing identity theft effort that led to 2,400 other enforcement actions against identity thieves during FY 2012.

We recently expanded to all 50 states, as well as the District of Columbia, the law enforcement waiver pilot that started in Florida in 2012. More than 1,560 waiver requests have been received since the Law Enforcement Assistance Program's inception, from over 100 state and local law enforcement agencies in the nine states participating in the pilot. The expansion to all 50 states will enable taxpayers to sign a waiver allowing us to disclose their tax information to help local authorities investigate and prosecute tax-related identity theft cases. The national effort with the DOJ and other federal, state, and local agencies is part of our comprehensive identity theft strategy.

The IRS Criminal Investigation (CI) division expanded its efforts during January 2013, pushing the total number of identity theft investigations to more than 1,460 since the start of FY 2012. In addition to the criminal actions, IRS auditors and criminal investigators conducted a special compliance effort that started in January 2013, to visit 197 money service businesses to help ensure these businesses are not perpetuating identity theft or refund fraud when they cash checks. The compliance visits occurred in 17 high-risk locations covering areas in and surrounding New York, Philadelphia, Atlanta, Tampa, Miami, Chicago, Houston, Phoenix, Los Angeles, San Diego, El Paso, Tucson, Birmingham, Detroit, San Francisco, Oakland, and San Jose.

In response to the growing threat that identity theft poses to tax administration, the IRS established the Identity Theft Clearinghouse (ITC), a specialized unit within CI that became operational in 2012, to work on identity theft leads. The ITC receives all refund fraud-related identity theft leads from CI field offices. The ITC's primary responsibility is to develop and refer identity theft schemes to the field offices, facilitate discussions between field offices with multi-jurisdictional issues, and provide support to ongoing criminal investigations involving identity theft.

In January 2013, IRS CI hosted an Identity Theft Summit in Washington, DC. Law enforcement officers from 14 partnering federal agencies met to discuss ways to strengthen collaborative efforts among agencies in the fight against identity theft.

The IRS is also collaborating with the Social Security Administration and other parts of the Administration on a potential legislative change to restrict access to the Death Master File (DMF) to those users who legitimately need the information for fraud prevention purposes and to delay the release of the DMF for 3 years to all other users. This change would make it more difficult for identity thieves to obtain identifying information of deceased persons in order to file fraudulent returns.

Stopping identity theft and refund fraud is a top priority for the IRS. Our work on identity theft and refund fraud continues to grow, touching nearly every part of our organization. We will continue to respond to this challenge and find ways to detect and prevent identity theft and fraud within the tax system.

If you have any further questions, please contact me or a member of your staff contact may Catherine Barré, Director, Legislative Affairs, at (202) 622-3720.

Sincerely,

A handwritten signature in cursive script that reads "Beth Tucker".

Beth Tucker
Deputy Commissioner for
Operations Support