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4 Data Security Tips for Tax Professionals

By Isaac M. O'Bannon, Managing Editor

Tax professionals fall victim to identity theft, too. In recent years, hundreds of tax professionals experienced data thefts or breaches that exposed their clients' personal information to cybercriminals and to tax-related identity theft. As cybercriminals increasingly target this data, the IRS and its Security Summit partners are sharing lessons learned by tax pros to help others avoid being targeted by identity thieves.

They recently shared tips and actions they wish they had taken to safeguard their customers and their businesses. These suggestions, pulled anonymously from victimized professionals, offer an opportunity to learn from these common mistakes and avoid a devastating breach of their client and business data.

Although the Security Summit — a partnership between the IRS, states and the private-sector tax community — is making progress against tax-related identity theft, cybercriminals continue to evolve, and data thefts at tax professionals' offices is on the rise. Thieves use stolen data from tax practitioners to create fraudulent returns that can be harder to detect and harder to distinguish from legitimate taxpayer returns.

Lesson 1: Get cyber insurance coverage

A common refrain from tax professionals who have been victimized by cybercriminals is they either were glad they had – or wish they had – insurance coverage for data loss.

Many tax professionals maintain business policies that may cover property and liability, but it may not fully coverage data thefts. Tax professionals victimized by these crimes recommend they also explore cyber coverage for data breaches. This

may require an addendum or rider to the policy. Practitioners also suggest that that

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about cyber insurance coverage in case the provider's systems are breached.

Lesson 2: Password protect each client account

Many tax software products also enable tax professionals to password protect each client account. Tax professionals who have experienced data thefts acknowledge that this can be a hassle, but worth the trouble should they experience a breach. They suggest password-protecting every account as a critical safeguard against cyberthieves.

Strong passwords can help prevent cybercriminals from accessing computer systems and accounts. Passwords should be eight characters or longer, a mix of letters, special characters and numbers, include an easy to remember phrase and be unique for each account.

See [Protect Your Clients, Protect Yourself: Tax Security 101](#) for more information on passwords and encryption.

Lesson 3: Use a virtual private network (VPN) for remote connections

Tax professionals who have been victimized also wish they had used a virtual private network (VPN) instead of remote access software. A VPN allows for teleworkers or branch offices to securely connect to the firm's computer system and to send and receive information.

There have been cases where cybercriminals have taken over remote access of a tax professionals' computer systems. In one example, the thieves remotely accessed client accounts via the tax pro's computer, completed and e-filed pending returns and changed the deposit information to their own accounts.

Technology media often provide lists of top VPN services.

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Updated software helps protect users from emerging threats that can lead to data thefts. Users can set the security software to update automatically.

In addition to these steps, the Security Summit reminds all professional tax preparers that they must have a written data security plan as required by the Federal Trade Commission and its [Safeguards Rule](#). Tax Professionals also can get help with security recommendations by reviewing the recently revised IRS [Publication 4557](#), Safeguarding Taxpayer Data, and [Small Business Information Security: the Fundamentals](#) by the National Institute of Standards and Technology.

This is the fifth in a series called "[Protect Your Clients; Protect Yourself: Tax Security 101](#)." (<https://bit.ly/2Mmj2Rq>)

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