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The [Internal Revenue Service](#) has developed secure processes to authenticate individuals applying for an Employer Identification Number (EIN), but it needs to do more to prevent fraud committed using stolen EINs. That's according to a report issued recently by the Treasury Inspector General for Tax Administration, a part of the Department of the Treasury tasked with overseeing the nation's taxation agency.

The IRS issues EINs to help identify taxpayers' business accounts. Individuals attempting to commit tax refund fraud steal or falsely obtain an EIN to file tax returns that report false income and withholding. TIGTA's report found that such fraud could top \$11.4 billion in potentially fraudulent refunds over a five-year period.

The overall objective of TIGTA's review was to assess the IRS's processes for issuing EINs and identifying stolen or falsely obtained EINs used to report income and withholding.

TIGTA found that the IRS has developed processes to both authenticate individuals applying for an EIN and ensure that there is a valid business reason to obtain an EIN. However, TIGTA identified 767,071 Tax Year 2011 electronically filed individual tax returns with refunds based on falsely reported income and withholding. Of the 285,670 EINs used on these tax returns:

- 277,624 were stolen EINs used to report false income and withholding on 752,656 tax returns with potentially fraudulent refunds issued totaling more than \$2.2 billion.
- 8,046 were falsely obtained EINs used to report false income and withholding on 14,415 tax returns with potentially fraudulent refunds issued totaling more than \$50 million.

The IRS has developed a number of processes to prevent fraudulent refunds claimed

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Treasury Inspector General for Tax Administration.

TIGTA recommended that the IRS update fraud filters to identify potentially fraudulent tax returns.

IRS officials agreed with TIGTA's recommendation and plan to update the IRS's fraud filters.

Income Tax • IRS

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