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Tax refund fraud associated with prisoner Social Security Numbers remains a significant problem for tax administration, according to a report by the Treasury Inspector General for Tax Administration (TIGTA).

TIGTA's report is the third in a series of audits it has conducted since 2010 that have documented alarming growth in prisoner tax refund fraud. The number of

fraudulent tax returns filed using a prisoner's Social Security Number that were

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“Since TIGTA first began documenting this fraudulent activity four years ago, refund fraud committed by prisoners has grown to become a billion dollar problem,” said J. Russell George, Treasury Inspector General for Tax Administration. “While the IRS has agreed with four of our six recommendations, more needs to be done, as is explained in our report. It is incumbent upon the IRS to act aggressively to prevent tax fraud wherever it occurs, particularly behind bars.”

In its new report, TIGTA found that the IRS has not yet shared fraudulent prisoner tax return information with Federal or State prison officials. TIGTA also found that the required annual prisoner fraud reports to Congress are not timely and that the reports do not address all aspects of prisoner fraud. TIGTA also followed up on a condition identified in a past review and found that IRS processes still do not ensure that all tax returns filed using a prisoner Social Security Number are assigned a prisoner indicator.

TIGTA recommended that the Commissioner, Wage and Investment Division, ensure that Memoranda of Understanding are timely established with the Federal Bureau of Prisons and all State Departments of Corrections. The IRS should also ensure that the required annual report on prisoner fraud is issued to Congress timely.

In addition, the IRS should ensure that processes are developed to identify tax returns filed that have the same characteristics of confirmed fraudulent prisoner tax returns and determine whether these tax returns should be included in the annual report to Congress it must make as required by law. The IRS should also ensure that all tax returns that are filed using a prisoner Social Security Number are assigned a prisoner indicator. Lastly, the IRS should identify and address the cause of the cases TIGTA found that were not identified with a prisoner indicator.

The IRS agreed with four of TIGTA's six recommendations. The IRS did not agree to

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The IRS agreed to work toward obtaining signed Memoranda of Understanding with the Federal Bureau of Prisons and State Departments of Corrections and established a goal to issue the Calendar Year 2014 Prisoner Fraud Report by September 30, 2015.

Income Tax

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