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Ken Berry, JD • Jun. 29, 2015



It wasn't quite the Geneva conference, but a "summit meeting" on June 10 between the IRS and leaders from tax preparation and software firms, state tax officials and others could provide stronger deterrent to thefts of tax refunds involving ID theft.

According to an IRS press release, the agreement reached in Washington D.C. identifies new steps for validating taxpayer identities when tax returns are filed,

increases information sharing between industry and governments and provides

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Koskinen got the ball rolling back on March 19 when he first convened with chief executive officers and leaders of private sector firm and federal and state tax administrators to discuss emerging threats on ID theft and expand existing collaborative efforts to stop fraud. Three specialized groups were established with members from the IRS, states and private industry co-chairing and serving on each team. During the past 12 weeks, the three teams focused on developing ways to validate the authenticity of taxpayers and information included on tax returns, information sharing to improve detection and expand prevention of refund fraud and threat assessment and strategy development to prevent risks and threats.

The groups agreed to several important new initiatives including the following:

Taxpayer authentication: The groups identified numerous new data elements that can be shared at the time of filing to help authenticate a taxpayer and detect identity theft refund fraud. Data will be submitted to the IRS and states with the tax return transmission for the 2016 filing season. Some of these elements are:

- Reviewing the transmission of the tax return, including the improper and or repetitive use of Internet Protocol numbers and the Internet 'address' from which the return is originating.
- Reviewing computer device identification data tied to the return's origin.
- Reviewing the time it takes to complete a tax return, so computer mechanized fraud can be detected.
- Capturing metadata in the computer transaction that will allow review for identity theft related fraud.

Fraud identification: For the first time ever, the entire tax industry will share aggregated analytical information about their filings with the IRS to help identify fraud. This post-return filing process has produced valuable fraud information

because trends are easier to identify with aggregated data. Currently, the IRS obtains

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investigations and prosecution of identity thieves.

Cybersecurity framework: Participants with the tax industry agreed to align with the IRS and states under the National Institute of Standards and Technology (NIST) cybersecurity framework to promote protection of the information technology (IT) infrastructure. The IRS and states currently operate under this standard, as do many in the tax industry.

Taxpayer awareness and communication: The IRS, industry and states agreed that more can be done to raise awareness about the protection of sensitive personal, tax and financial data to help prevent refund fraud and identity theft. These efforts have already started and will increase through the year and expand in conjunction with the 2016 filing season.

“Industry, states and the IRS all have a role to play in this effort,” Koskinen said. “We share a common enemy in those stealing personal information and perpetrating refund fraud and we share a common goal of protecting taxpayers

In addition to companies from the private sector, the summit team included the Electronic Tax Administration Advisory Committee (ETAAC), the Federation of Tax Administrators (FTA) representing the states, the Council for Electronic Revenue Communication Advancement (CERCA) and the American Coalition for Taxpayer Rights (ACTR).

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What Are Tax Software Companies and Preparers

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an important milestone in a multi-step journey for government and industry to work together to drive fraud out of the U.S. tax system. We applaud this new set of security standards and data protocols that create a strong foundation for deepening the partnership between IRS, the states and industry.

* “Jackson Hewitt embraced the charge by the IRS commissioner to expand our collaboration as we continuously improve our strategies to protect taxpayer data,” said David Prokupek, CEO of Jackson Hewitt. “We believe our contributions as shared by the IRS Commissioner today are positive enhancements that will instill even greater confidence among taxpayers.”

* The American Coalition for Taxpayer Rights (ACTR) is a ten-member trade association of the nation's largest tax preparation and software firms. ACTR chairman Steven Barrett, chief counsel of Jackson Hewitt, cautioned, “There is no silver bullet to detecting and preventing income tax refund fraud.” He added, “It is clear that much of the fraud going on today is being perpetrated by sophisticated criminals who adjust their schemes based on what they see the government and industry doing or not doing.”

* Timur Taluy, CEO of FileYourTaxes.com, noted that efforts to combat ID theft have been fragmented because the IRS, state authorities and the tax industry have traditionally worked in “silos” with their own set of standards and practices. He said, “With the recent increase in identity theft and fraudulent tax returns on the federal and state level, Commissioner Koskinin and the IRS created this public-private partnership to break down these silos.”

* Scott Rasmussen, CEO of TaxHawk, announced, “We anticipate working closely with the IRS for as long as it is needed. We are excited to have these fraud prevention initiatives move forward. Through a coordinated effort we can reduce identity theft tax refund fraud.”

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