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a data security and identity theft protection firm. While the IRS is taking steps ...

Feb. 28, 2017



Taxpayers show a pattern of poor practices that leave much of their data vulnerable to breach, according to the second annual Tax Season Risk Report from [CyberScout](#), a data security and identity theft protection firm. While the IRS is taking steps that have reduced tax identity theft, taxpayers must still take ownership to protect their filings as the risks remain high.

Survey highlights:

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percent either store tax documents on their computer's hard drive or in the cloud, approaches that are susceptible to a variety of hacks.

- More than half (57 percent) of consumers will file in March, April or later, giving tax fraudsters time to impersonate them online and steal their refunds.
- The majority (51 percent) of taxpayers who expect a refund check in the mail have not taken precautions such as a locked mailbox, putting their check at risk of theft.
- Half of all taxpayers (50 percent) who use a tax service weren't sure how to evaluate them, chose someone online or didn't screen them beforehand, leaving the taxpayer vulnerable to scams.

“We've reached an extreme level of cybercrime where identity theft has become the third certainty in life. In tax season, it is crucial that everyone remain vigilant and on high alert to avoid tax related identity theft or phishing schemes,” said Adam Levin, founder and chairman of CyberScout and author of *Swiped*.

Tax season is one of the most common times for identity fraud to take place, making it even more important for consumers to take the proper safety measures. Having a password protected Wi-Fi connection, a protected mailbox for a physical tax return to be sent, two-factor authentication for tax preparation services and an encrypted USB drive for sensitive tax documents are four of the most basic ways to protect oneself. Taxpayers are confronted with a variety of scams and should use the following techniques to protect themselves:

- Always use long and strong passwords.
- Never authenticate yourself to anyone who contacts you online or by phone, since the IRS will never contact you by those methods.
- Use direct deposit of refunds into your bank account or a locking mailbox for mailed refunds.

- Monitor and protect your accounts and elements of your personal identity online

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stolen identities.”

Survey details and analysis

- **Taxpayers should be more worried than they are.** The majority of Americans (58 percent) are not worried about becoming victims of identity theft during this tax season, a 5 percent drop from the number of those not worried in 2015 (63 percent). They should be worried, since fraudsters filed **false claims** worth more than \$4 billion in tax refunds in 2016.
- **Only a little over a third (35 percent) of taxpayers are demanding that their tax preparer use two-factor authentication** to protect their personal tax information. The majority (56.5 percent) were not sure whether their preparer would follow this best practice, were not offered it or didn't require it. Two-factor authentication is much more secure than a single password and should be the best practice for all tax preparers.
- **Most consumers (80 percent) have protected their home Wi-Fi networks with a password, but they are relying on it too heavily to keep them safe and need to use more secure storage methods.** Less than a fifth (18 percent) use an encrypted USB drive, a secure way to save important documents like tax worksheets, W-2's, 1099's or 1040's. Another 38 percent either store tax documents on their computer's hard drive or in the cloud, approaches that are susceptible to a variety of hacks. Nearly a third (30 percent) report not being sure where they save their tax data or documents and another 14 percent don't save their tax documents at all.
- One of the safest ways for consumers to file their 2016 tax return is to file online directly with the Internal Revenue Service (IRS). Unfortunately, **less than half of taxpayers (48 percent) rely on and trust online tax services.** Nearly a quarter (24 percent) of respondents do not trust online tax services because they think they are unsafe, a misperception that can lead to exposure.

- **A majority of taxpayers have not gotten the message to file early.** Nearly half (43

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Most people (62 percent) use a tax preparer. Of that group, 50 percent choose their tax preparer based on reputation or rely on an IRS declared preparer, while the rest were not sure how to judge their credibility, planned to choose someone online, or didn't vet them at all. This is an area where consumers need to research carefully since pop-up storefronts offering tax preparation services are a common way to scam consumers.

Consumers and tax preparers can protect themselves by visiting the [federal web site on tax scam alerts](#) to find out about the current scams and cyber-attacks.

The findings are based on a Google Consumer Survey of more than 1,500 consumers in the United States, aged 18 and over. Google Consumer Surveys automatically field a validated, representative sample of respondents and allocate users according to the demographic spread of U.S. Census data of Internet users.

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