CPA
Practice Advisor

in 2016. Since 2015, the number of tax-related identity theft victims has fallen...

Feb. 26, 2018

The number of tax-related cases of identity theft dropped sharply in 2017, according to the IRS, which attributes the success to the Security Summit initiatives that help safeguard the nation's taxpayers.

Key indicators of identity theft dropped for the second year in a row in 2017. This includes a 40 percent decline in taxpayers reporting they are victims of identity theft in 2016. Since 2015, the number of tax-related identity theft victims has fallen by almost two-thirds and billions of dollars of taxpayer refunds have been protected.

“These dramatic declines reflect the continuing success of the Security Summit

taxpayers.

Because the IRS and Summit partners have stepped up efforts to stop suspected fraudulent returns from entering tax processing systems, there continues to be a substantial decline in the number of taxpayers reporting that they are victims of identity theft.

Here are key calendar-year 2017 indicators:

- The number of taxpayers reporting to the IRS that they are victims of identity theft continued its major decline. In 2017, the IRS received 242,000 reports from taxpayers compared to 401,000 in 2016 – a 40 percent decline. This was the second year in a row this number fell, dropping from the 677,000 victim reports in 2015. Overall, the number of identity theft victims has fallen nearly 65 percent between 2015 and 2017.
- The number of tax returns with confirmed identity theft declined to 597,000 in 2017, compared to 883,000 in 2016 – a 32 percent decline. The amount of refunds protected from those fraudulent returns was $6 billion in 2017, compared to $6.4 billion in 2016. In 2015, there were 1.4 million confirmed identity theft returns totaling $8.7 billion in refunds protected. Overall during the 2015-2017 period, the number of confirmed identity theft tax returns fell by 57 percent with more than $20 billion in taxpayer refunds being protected.
- The financial industry is a key partner in fighting identity theft, helping the IRS recover fraudulent refunds that may have been issued. In 2017, banks recovered 144,000 refunds compared to 124,000 in 2016 – a 16 percent increase. The amount of refunds recovered was $204 million in 2017, compared to $281 million in 2016. In 2015, the financial industry recovered 249,000 refunds totaling $852 million.
- In addition to these steep declines, the IRS also is continues reducing the year-over-year inventory backlog of taxpayers who file identity theft reports. For fiscal

year 2017, the beginning inventory of identity theft reports submitted by taxpayers

Last year, multiple data breaches from outside the tax system means cybercriminals have basic information on millions of Americans, such as names, Social Security numbers and addresses. The steps taken by the Summit partners since 2015 help protect against fraudulent tax filings that use this basic data. As the IRS and Summit partners have strengthened their defenses, identity thieves are looking to steal more detailed financial information to help provide a more detailed, realistic tax return to better impersonate legitimate taxpayers. Because they need more personal data, cyberthieves increasingly are targeting tax professionals, human resource departments, businesses and other places that have large amounts of sensitive financial information. The IRS continues to see a number of these schemes in attempts to get taxpayer W-2 information from tax professionals and employers.

Everyone must be vigilant and alert. Both taxpayers and tax professionals are encouraged to:

- Use Security Software. Always use security software with firewall and anti-virus protections. Make sure the security software is always turned on and can automatically update. Encrypt sensitive files, such as tax records, stored on computers. Use strong, unique passwords for each account.
- Watch out for scams. Learn to recognize and avoid phishing emails, threatening calls and texts from thieves posing as legitimate organizations such as banks, credit card companies and even the IRS or a tax software firm. Do not click on links or download attachments from unknown or suspicious emails.
- Protect personal data. Don't routinely carry Social Security cards and make sure tax records are secure. Shop at reputable online retailers. Treat personal information like cash; don't leave it lying around.

For more information, see www.irs.gov/identitytheft.