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TRENTON — New Jersey is delaying income tax refunds to more than 13,000 filers by as long as three months as part of an effort by the state Treasury Department to reduce what it says is the growing problem of tax-refund identity fraud.

In all, the state flagged 22,000 returns filed in February for additional scrutiny — and some suspect the Division of Taxation's ulterior motive is to hang onto millions in taxpayers' money as long as possible.

Edward Ricciardi, managing member of the Central Jersey Tax Services accounting firm in Howell, said every client who is due a refund of more than \$1,000 from the state has received a letter saying that their refund was being delayed.

"If you don't have the money, you're broke, just tell the people: We're a little broke; we'll see people in three months," Ricciardi said. "Don't put people through the wringer to get their money back."

But Treasury Department spokesman Bill Quinn said the effort is not about the state's cash flow.

"It's not to delay refunds or to manipulate them. The idea is just that, in general, if there's a possible question about a refund, it's better to stop it before it's paid than to try to recover it after it's been paid," Quinn said.

The state is requesting documentation from individuals such as W-2 forms, recent payroll stubs and copies of Social Security numbers. This week it sent followup

letters to 9,000 filers it says shouldn't have been included and said their refunds

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payment, which is getting to be a big problem nationally," Quinn said. "Sometimes it's just error, a mistake. So the idea is to catch errors that might trigger an audit and also to prevent any possible fraud."

The suspected fraud isn't that taxpayers are trying to claim bigger refunds than they should. It's that identity thieves are using stolen Social Security numbers to file a fraudulent claim for a refund before the real taxpayers file.

The Internal Revenue Service said last month that it stopped roughly 5 million tax refunds in 2012, amounting to \$20 billion in suspected fraud, up from \$14 billion in 2011.

Ricciardi said he double-checked returns for clients who received the letters and that the information about tax withholding matched the W-2s.

"What fraud? You already have these W-2s because the employers send them to you. It's an easy match. What are you breaking people's chops for?" Ricciardi said.

Connie Ippolito, of Manchester, for instance, was unable to locate her husband's Social Security card. The couple spent a few hours at the Social Security Administration applying for a replacement card, which hasn't arrived yet — meaning the state's 90-day review clock hasn't even begun.

"My impression is they're just holding onto your money because the letter says also that once they receive all your documentation, it's going to take at least 90 days," Ippolito said. "It's a real pain in the neck. If you don't pay your taxes on time, they come after you. But they'll hold your money and not give you any interest."

After the Treasury Department announced last week that February income tax revenues were \$142 million (or 25 percent) ahead of forecast for the month, budget analysts at the Office of Legislative Services said net revenues were "inflated by a

significant delay in refund payments” — with \$120 million less paid out than in

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rather than the planned Jan. 22.

In what is acknowledged to be a cash-flow strategy, Gov. Chris Christie announced last month that the state plans to delay the payment of property tax credits until August, rather than May, which pushes \$392 million in spending from the current state budget year into next year.

Taxpayers whose refunds are stolen by identity thieves can face delays of as long as six months obtaining their money as they prove their identity to government officials. Federal officials say the fraud results in more than \$2 billion a year in losses to the U.S. Treasury Department.

A New Jersey-based federal task force last September arrested 14 people and shut down a stolen-identity scheme that had been operating more than five years and involved more than 8,000 fraudulent tax returns seeking \$65 million in illicit refunds. Two people from Middlesex County pleaded guilty in the case last month.

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