charged with the viral-spreading crimes of identity theft and tax-refund fraud.

Oct. 11, 2013

Oct. 11– Federal agents swept through South Florida this week to arrest about 40 people charged with the viral-spreading crimes of identity theft and tax-refund fraud.

U.S. Attorney Wifredo Ferrer said the takedown was the biggest yet since his office established a strike force to target the companion scams in August 2012.

"This continues to be the fastest-growing and most-pervasive fraud scheme aimed at stealing our tax dollars," Ferrer told the Miami Herald Thursday. "But we're on it. We want to send a message before the tax season begins because it's fast approaching."

Among the line-up of defendants appearing in Miami federal court: A West Miami-Dade man who had been severely beaten while in the custody of Sweetwater police a decade ago and later received a $2 million settlement from the city.

Now Peter Michael Daniel, 29, is penniless.

The one-time operator of a personal-watercraft rental business said he has no income and no assets, so a magistrate judge assigned a federal public defender to represent him.

"What happened to all the money?" his father, Roberto Daniel, said outside the courtroom. "I don't know. He was very young when he got the money. He just went through it. He has nothing."

Daniel pleaded not guilty to a charge of possessing at least 15 Social Security numbers belonging to others. Those numbers are typically used or sold for filing phony tax returns, though Daniel was not charged with defrauding the Internal Revenue

than 22,000 identities were stolen.

That brings the total number of South Florida arrests since last year to 269. Prosecutors calculate the defendants were responsible for $449 million in fraudulent tax-refund claims, $97 million in IRS payments, and 76,700 stolen identities.

Also significant: IRS criminal investigators have suspended a total of 70 “electronic filing ID numbers” that allow individuals to file tax returns on behalf of other taxpayers. Those numbers were used to file 53,900 fraudulent tax-refund claims. These numbers are normally used to file legitimate returns by accountants and other tax preparers.

Perpetrators in South Florida, Tampa and other regions of the country routinely steal the names, dates of birth and Social Security numbers of people, including prisoners, the poor and even children. They are attractive targets because they don't file income tax returns. As a result, the IRS can't detect duplicate filings.

Among the notable offenders: Two Miami police officers convicted last week of stealing people's identities from the Florida drivers' license database to file fraudulent tax-refund claims.

Combined, the schemes have robbed the U.S. government of billions of dollars yearly since the crime began spreading in 2008, according to a Treasury Department report.

South Florida victims of these and similar crimes run the gamut: Holocaust survivors, U.S. Marines stationed in Afghanistan, hospital patients and senior citizens.

What's fueling the fraud? Florida has the highest rate of identity theft in the country, with 361 complaints per 100,000 residents last year, according to the Federal Trade

Commission. But the state's rate is dwarfed by that in the Miami area, with 645

But the report also found that the IRS paid out more than $5.2 billion in tax refunds to fraudsters who filed about 1.5 million returns using stolen identities.

The report predicted that scammers are likely to swindle $21 billion more from the IRS over the next five years.

The report came with a disclaimer: "The amount of undetected tax refund fraud we identified is conservative."

Michael Steinbach, head of the FBI's Miami office, said the crime has "reached an epidemic level" in recent years. He cautioned the public to safeguard Social Security numbers, ignore email scams, and tear up personal financial information before putting it in the trash.

At the root of the problem: Scammers filing fabricated tax returns have exploited a hole in the IRS electronic filing system, according to the U.S. Government Accountability Office.

The federal watchdog agency found that the IRS does not match tax returns to the W-2 income forms that employers file until months after the filing season ends on April 15.

Employers file them in late February or early March; the IRS does not match them up with employees' incomes reported on 1040 forms until June. That's way too late to catch identity thieves who file false returns in other people's names early in the year and have already received and cashed the refund check.

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