

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

identity theft tax refund fraud that has engulfed the Tampa, Florida, area and spread to other parts of the country over the last three years.

Oct. 02, 2015

The IRS is running into problems as it struggles to get control over the wave of identity theft tax refund fraud that has engulfed the Tampa, Florida, area and spread to other parts of the country over the last three years.

Two recent watchdog reports concluded authorities are making progress but need to do more to help identity theft victims and stop issuing refunds to thieves. The Government Accountability Office also says the IRS still doesn't know the total extent of the fraud.

And witnesses at a congressional hearing in Washington on Thursday said the fraud is continuing to rise nationwide. As of June 29, the IRS had identified almost 1.9 million incidents of identity theft this year, according to testimony, compared to about a million incidents in 2011.

The IRS reported that in the first half of this year, the agency had stopped the issuance of \$4.2 billion in potentially fraudulent tax refunds associated with almost 860,000 tax returns that involved identity theft, Michael R. McKenney, acting deputy inspector general for audit told Congress. But he added that the IRS doesn't know how many identity thieves are filing fictitious tax returns and how much revenue is being lost through fraudulent tax refunds.

The IRS inspector general plans to issue a report in September in which it will find that although the IRS has improved its detection of identity theft refund fraud, thieves are still managing to steal billions, according to McKenney.

The National Taxpayer Advocate wrote in a report to Congress that the IRS is “still

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

identities to steal from federal taxpayers, even as law enforcement solidifies its improved relationship with IRS criminal investigators and federal prosecutors.

“The new relationship with the IRS has streamlined the process and it’s made investigating the crimes much easier,” said Tampa police spokeswoman Andrea Davis. “We do believe (the fraud is) still going on, and we’re still seeing activity. We’re not seeing as much of the flaunting of the money and the cars in the traffic stops and the search warrants we’re doing. Yes, we’re still inundated with cases and we’re still working cases.”

After early issues that made prosecutions difficult, more suspects are now facing justice. The U.S. Attorney’s Office in Tampa has brought charges against about 45 people so far this year, compared to about 30 people in all of last year.

Davis said recent prosecutions and sentences of high profile defendants — including a 21-year-sentence for Rashia Wilson, who had called herself the “queen” of tax refund fraud — has sent a strong message of deterrence. “I think the word is out,” she said, “so whether it’s ‘Let’s lay low and do it more quietly,’ or it’s really stopping, that’s something that I guess we’ll see in time.”

Hillsborough Sheriff’s Cpl. Bruce Crumpler agreed that the Wilson sentence had an impact. “We’ve got their attention,” he said.

Crumpler said his sense is the number of people involved in the fraud has gone down but that those who are still committing it are stealing more money.

The Taxpayer Advocate, which helps filers having problems with the IRS, says the number of identity theft complaints it receives continues to rise. The Taxpayer Advocate saw a 61 percent increase in identity theft cases from fiscal year 2011 to fiscal year 2012, and a 66 percent increase from 2012 to 2013. Current trends appear to be heading in the same direction.

But in Tampa, postal workers say they are intercepting “significantly less” suspicious

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

months in federal prison for her involvement in a tax refund fraud scheme. Tania Henderson was also ordered to pay \$835,000 in restitution.

According to testimony given to Congress last week, the IRS estimates it would cost about \$22 million to screen 1.2 million tax returns the inspector general says need to be verified. “Without the necessary resources, it is unlikely that the IRS will be able to work the entire inventory of potentially fraudulent tax returns it identifies,” McKenney said.

Meanwhile, the IRS says it erected 13 new filters this past filing season designed to prevent fraudulent refunds from being issued to thieves and expects to create even more filters next year. Part of that effort involves the Taxpayer Protection Program, which reviews tax returns that are identified by the IRS as involving possible identity theft and then has workers try to verify whether they are valid.

If the identity of the filer can't be identified, the IRS doesn't process the return.

The program had 10 employees assigned to answer a toll-free telephone line in the 2012 filing but were able to answer only 24 percent of the calls, according to the Inspector General's report. The IRS transferred the responsibility for answering the calls to another unit this year, and more than 200 employees answered the line this time.

The Taxpayer Advocate report says it has significantly reduced the amount of time it takes to resolve identity theft cases for taxpayers, taking an average of 99 days to close cases compared to 125 days two years ago. But the IRS processing time for identity theft cases is actually increasing. Although service-wide statistics were not available, the Taxpayer Advocate said that for many categories of identity theft work, the IRS takes between six months and a year to resolve cases.

This, the advocate wrote, “is simply not acceptable for the hundreds of thousands of

Hello. It looks like you’re using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

have been identified by computer filters as possible fraud. This delays the processing of the returns for about six weeks.

“Preliminary analysis suggests an astonishing 81 percent of tax returns flagged as unpostable are eventually deemed legitimate,” the advocate’s congressional report states. “It is not acceptable for so many legitimate taxpayers to be harmed by having their returns unnecessarily rejected and delayed.”

Copyright 2013 – Tampa Tribune, Fla.

Income Tax • IRS • Payroll • Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved