## **CPA**

## Practice **Advisor**

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Consumer awareness of identity theft and tax-related fraud is on the rise this year, and along with it increased concerns over becoming a victim. Experian recently surveyed consumers nationwide for its annual tax study, focusing on a number of tax related topics including filing habits, identity theft and what they are doing to protect themselves this tax season.

The number of survey respondents familiar with identity theft and tax fraud has risen almost 20 percent over the past two years, to 76 percent. This is compared with only 57 percent in 2014 and 63 percent in 2015. In addition, 42 percent of respondents are now concerned that someone could access their personal data through their tax return, compared to only 35 percent in 2014 and 38 percent in 2015.

"Tax season is a busy time of year for identity thieves," said Michael Bruemmer, vice

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Despite the number of people affected by tax fraud, almost half of respondents (45 percent) aren't aware of the IRS-issued Identify Protection PIN. An IP PIN is a unique number assigned to eligible taxpayers that helps prevent the misuse of their Social Security number and protects against thieves attempting to file fraudulent federal income tax returns. Furthermore, only 30 percent of actual victims surveyed requested the IRS-issued IP PIN last year.

Even though the concern over tax fraud has grown significantly, a majority of survey respondents aren't planning to take the IRS recommended steps to protect themselves. Only 12 percent are planning to check their credit report, an important first step in monitoring for fraudulent activity that could indicate identity theft. Also, a mere 6 percent will file their taxes on a computer with up-to-date antivirus software.

## Other key survey findings:

- Tax filing continues to be increasingly electronic
- Half of the respondents file their taxes themselves, electronically Eighteen percent scan and save their tax documents electronically, up from 14 percent in 2015 More than three-quarters have used electronic fund transfers for tax refunds
- Of the 56 percent of respondents who prepare their own taxes, most do so on their home network
- Seventy-six percent inside their own home, on a secure network Fourteen percent at work on a secure network Seven percent outside of the home using free Wi-Fi
- Most respondents (80 percent) expect to receive a tax refund and plan to use it to increase their personal savings or pay down credit card debt

Forty-one percent — savings fund/investment Thirty-five percent — pay off/down credit card debt Nineteen percent — pay off/down personal loans

Actions consumers can take to help protect themselves:

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indicates potentially fraudulent activity. Don't respond to any emails or text messages from anyone who says they're with the IRS, as the organization contacts individuals via mail and phone only. Also note that no IRS representative ever will ask for immediate payment via phone.

**Income Tax** 

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