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TAXES

Tax Season Best Practices to Avoid Identity Fraud – 2023

To fight identity fraud and cybercrime, tax preparers and filers must collaborate and adopt effective methods to secure their data and financial resources.

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By Christina Luttrell, Chief Executive Officer for GBG Americas (Acuant and IDology).

Tax season is always stressful. Hurried filers inundate tax preparers working furiously to help their clients file on time while the dreaded tax deadline looms.

However, it's important to pause and reflect on your data privacy standards, digital communication norms, and potential vulnerabilities this tax season. Tax preparers have a **legal responsibility to protect taxpayer data**, but the escalating **cost and consequence of a cybersecurity or data privacy violation** for tax preparers and filers **give everyone millions of reasons** to improve their practices this year.

To fight identity fraud and cybercrime, tax preparers and filers must collaborate and adopt effective methods to secure their data and financial resources. Here are three methods accountants, CPAs, and tax preparers can employ during this tax season.

#1 Make Security the Top Priority (But Don't Forget to Prioritize Convenience)

Tax professionals and their clients are especially susceptible to data breaches and identity fraud attempts during the busy and often stressful tax season. Today's consumers are aware of the risks and counting on their tax preparers to protect their information.

Often, securing customer data includes prompting all customers to communicate and transmit documents through a secure portal protected by advanced identity verification tools. This is an industry best practice, but to be effective, preparers will need to combine security with convenience.

The latest **IDology Consumer Digital Identity Study** shows that 68 percent of consumers surveyed prioritize the security of the onboarding process as the most crucial factor when opening new accounts online. In comparison, 32 percent consider a fast and simple process to be of the utmost importance.

Interestingly, 45 percent of respondents reported that they “strongly dislike companies requiring additional security checks,” requiring companies to balance security and convenience without compromise.

Adapting to this trend will require tax preparers to enhance their identity verification protocols, which is now more difficult because traditional methods that use static attributes, such as birth dates or social security numbers, are no longer

reliable. Specifically, the year-over-year increase in data breaches, affecting **42% percent more Americans**, has led to these static identity markers being readily accessible on the Dark Web or online marketplaces.

Tax preparers can best guard against fraud by implementing intelligent, multi-layered identity verification that relies on dynamic identity inputs, like mobile device data, to differentiate legitimate users from fraudsters.

#2 Teach Employees & Customers Effective Security Strategies

While companies and consumers face a confluence of cybersecurity challenges, human error remains the leading cause of data breaches and successful fraud attempts.

[Verizon's 2022 Data Breach Investigations Report](#) found that 82 percent of data breaches “involved the human element, including social attacks, errors, and misuse.” Data breaches often come back to haunt consumers as threat actors leverage stolen personal information to initiate compelling phishing scams through email, text messages, and phone calls.

This is good news for tax preparers because they can account for the human element by teaching employees and customers effective security strategies. In 2023, these efforts should teach people:

- **Phishing scam trends.** Billions of phishing emails are sent daily and **90 percent of cyberattacks start with a phishing scam**. Awareness training reminds people of the risks and teaches them to identify potentially harmful content. When **implemented regularly, phishing scam awareness training reduces our susceptibility** to these malicious messages.
- **Digital hygiene best practices.** Despite the ever-present online risks, people often neglect their digital hygiene. However, **even basic digital hygiene practices**, like implementing two-factor authentication, updating software, and using strong, unique passwords for all accounts, can stop a data breach or fraud attempt in its tracks.
- **Communication protocols.** Tax preparers should encourage clients to use a secure portal with advanced identity verification measures to ensure the security of sensitive transactions.

Don't assume that your employees or clients already know these things. Although [59 percent of consumers claim to be more cautious](#) with their personal information, 40 percent are uncertain if their data can be bought online, and 69 percent are unaware of synthetic identity fraud.

#3 Let Technology Help

While individuals cannot guarantee the prevention of all data breaches and fraud attempts, advanced software, such as machine learning (ML) and artificial intelligence (AI), is supporting tax preparers in detecting fraud and safeguarding data.

These technologies can examine large amounts of data and recognize any unusual patterns or anomalies that may suggest fraud. Additionally, they can streamline or hasten the verification process by bringing suspicious activity to the attention of tax experts. Regardless of the size of an organization or tax service, incorporating the latest technology can provide customers with the highest level of protection without sacrificing privacy or ease of use. However, companies must manage the inherent risks of AI by applying a balanced implementation combining transparent, rule-based systems with human intelligence.

When implemented with human supervision, AI can become invaluable. Human supervised AI benefits from experts charged with oversight of incoming data and outputs. A trained fraud analyst accompanying AI based solutions can catch new and established fraud trends, including novel threats that AI solutions on their own may miss. Additionally, the combination of human and artificial intelligence can accelerate customer onboarding and authentication, especially for thin-file customers who may otherwise fail digital verification.

Safe and Secure This Tax Season

Tax season 2023 is the time for tax preparers, accountants, and CPAs to prioritize the security of sensitive financial information and protect their data and financial assets from identity fraud and cybercrime.

By making security the top priority without compromising convenience, teaching employees and customers effective security strategies, and incorporating the latest technology, tax professionals can ensure a safe and secure tax season for themselves and their clients.

Consequently, tax preparers and filers can prevent the costly consequences of data breaches and identity theft and give their customers the peace of mind they deserve.

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Christina Luttrell is the Chief Executive Officer for GBG Americas ([Acuant](#) and [IDology](#)), the premier identity verification, regulatory compliance and fraud prevention provider and partner of choice for establishing digital identity trust worldwide.

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