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Identity Theft and Your Taxes

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CERTIFIED PUBLIC ACCOUNTANTS

Identity Theft and Your Taxes

Your identity and money can be stolen in a tax-related scam via email (“phishing”), fax, phone, or letters. Some recent examples of identity theft scams are:

- **Refund scam.** A bogus email, claiming to come from the IRS, tells you that you are eligible to receive a tax refund for a given amount if you just follow the instructions in the email.
- **Inherited funds, lottery winnings, and cash consignment scams.** A bogus email, claiming to come from the U.S. Department of the Treasury, notifies you that you will receive millions of dollars if you follow the instructions in the email. This may be a multi-step scheme that includes instructions for you to deposit taxes on the funds before they can be paid out or the issuance of a phony check on which you must pay 10% tax before the check can be deposited.
- **EFTPS scam.** A bogus email, claiming to come from the IRS, contains a realistic-looking screenshot of the IRS website with a message about fraud attempts regarding your bank account. The email states that the bank account can be unblocked if you just click a link and provide information.
- **EIN scam.** A bogus fax, claiming to be from the IRS, informs you that you have failed to submit required bank account details. You are asked to fax back a form that requests your EIN, bank information, and officer signatures.

Notify the IRS

If you receive a tax-related phishing email, do not click on the links or open any attachments. Forward the email to phishing@irs.gov or call the IRS at 800-829-1040.

How the IRS Contacts Taxpayers

- The IRS will never initiate contact with you by email or any social media tools to request personal or financial information.
- It is unusual for the IRS to initiate contact by fax or phone call. You can call the IRS at 800-829-1040 to verify that an unexpected fax or phone call is legitimate.

Fraudulent Tax Returns

An identity thief might use your Social Security number to fraudulently file a tax return and claim a refund. You could be completely unaware that your identity has been stolen until your return is rejected for e-filing or you get an IRS notice or letter.

Rejected e-File

Your electronically filed return is rejected because the Social Security number belonging to you, your spouse, or a dependent has already been used on a tax return.

- This situation can occur because of a mistyped number or dispute about claiming a dependency exemption. Such cases do not necessarily indicate identity theft.
- If your return has been rejected because of a previously used Social Security number, it cannot be e-filed. You must file a paper return.

IRS Notice

You receive an IRS notice or letter stating that:

- More than one return was filed in your name for the year,
- You have a balance due, refund offset, or initiation of collection action for a year when you did not file a return, or



- IRS records indicate that you received wages from an employer you didn't work for.

You should respond immediately to the name and phone number printed on the IRS notice or letter. You will be asked to complete Form 14039, *Identity Theft Affidavit*, and provide identifying information.

IRS Identity Protection Specialized Unit (IPSU)

If you believe there is a risk of identity theft due to lost or stolen personal information, contact the IPSU immediately so the agency can take action to secure your tax account.

- Call 800-908-4490.
- You will be asked to complete Form 14039, *Identity Theft Affidavit*.

Form 14039, Identity Theft Affidavit

Form 14039 has two purposes.

- 1) Informs the IRS you are an actual or potential victim of identity theft that has or could affect your tax account.
- 2) Requests that the IRS mark your account to identify any questionable activity.

You must provide details of the actual or potential identity theft situation, tax years impacted (if known), address and other contact information, and a photocopy of valid government-issued identification.

Identity Protection PIN (IP PIN) Program

If the IPSU determines that you do have a tax-related identity theft problem, the IPSU will research your account, identify the IRS business unit handling the case, and monitor the case to ensure it is being handled in a timely manner.

- The IRS may issue you an Identity Protection PIN (IP PIN). The computer-generated IP PIN has six digits and is specific to the tax year for which it was provided.
- The IRS issues IP PINs to allow a legitimate taxpayer's return to bypass the identity theft filter, prevent

fraudulent returns from being processed, and minimize taxpayer burden associated with potential delays when a return fails one or more of the identity theft filters.

- A new IP PIN will be issued to you every filing season as long as the identity theft indicator remains on your account.

Using an IP PIN

You will receive an IRS notice in the mail containing the single-use six-digit PIN. The IRS does use email or fax to notify taxpayers of an IP PIN.

- All six digits must be input on your Form 1040 in the space to the right of the spouse's occupation line. Use of the IP PIN on the return acts as an authenticator to validate you as the legitimate owner of the Social Security number on the tax return.
- If you lose or misplace the IP PIN letter, the IRS may issue a replacement IP PIN for the year. You may file a paper return without the IP PIN, but processing and refunds may be significantly delayed.

Surprise IP PIN Letter

The IRS has been known to mail an IP PIN letter to a taxpayer who was previously unaware of a potential tax-related identity theft problem. If you receive an unexpected IP PIN letter, you can call the IPSU phone number (800-908-4490) to verify that the IP PIN letter is legitimate.

Identity Theft Outside the Tax System

You may be at increased risk for tax-related identity theft for various reasons.

- You have lost or had stolen a wallet, purse, or documents that include sensitive identifying information.
- You have noted questionable credit card activity or credit report information.
- You have fallen victim to an identity theft scam.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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