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Preventing Tax Fraud in Prisons

Every year during tax season, there are numerous cases of tax fraud. Some of these cases of fraud are even committed in prison by the inmates. Over the last five years about \$123 million in tax refunds have been fraudulently received by prison inmates through phony applications made from behind prison bars.

Four senators, namely Senators Amy Klobuchar of Minnesota, Bill Nelson of Florida, Sherrod Brown of Ohio and Charles Schumer of New York place the blame squarely at the Federal Bureau of Prisons and the IRS who they say have failed to cooperate with one another to stem the rise of tax fraud committed by criminals. Often prisoners use their own names or that of an accomplice outside the prison to falsely claim for tax refunds.

However, according to the IRS, unless Congress passes laws requiring prisons to report their tax status to the Federal Bureau of Prisons, this problem will persist. IRS spokeswoman Christina A. D'Amico said at this point of time, prisons aren't required to provide all the needed tax information on prisoners.

But the four senators contend that the present law governing this matter, the Inmate Tax Fraud Prevention Act 2008 is sufficient to address the

problem. Their view is that the inaction by the Federal Bureau of Prisons and the IRS is more due to fear of legal action by the prisoners than anything else.

The four senators are prepared to call for a hearing on the issue if the Federal Bureau of Prisons and the IRS do not come up with a solution quickly.

IRS records show that in 2009 fraudulent tax returns filed by prison inmates in the US rose to almost 45,000. In 2004, this figure was only 18,000. Between 2004 and 2009, as much as \$123 million more in fraudulent claims were paid to prisoners.

Perhaps one thing that can be done is to increase the penalties for the accomplices of these prisoners who help them from outside the prisons. It is certainly important for Congress to take more interest in this problem and do something to solve it soon.