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## IRS Reports Spike in Identity Theft

The Government Accountability Office (GAO) has released a report that said the IRS has discovered 245,000 cases of identity theft in 2010. These were incidences where Social Security numbers of unsuspecting taxpayers were used to either secure a tax refund or to get work and avoid taxes. This number represents a huge increase from a mere 52,000 in 2008.

According to Paul Stephens, director of policy and advocacy for Privacy Rights Clearinghouse, even this increased number may not reflect the true number of cases. “The number of reported cases significantly undercounts the actual numbers because there tends to be a significant delay in detecting most cases of tax-related identity fraud,” said Stephens.

Furthermore, even the government is limited by legislation in efforts to combat this crime. Privacy laws do not permit the IRS from divulging the details of the perpetrator or even the perpetrator’s employer. In addition, the IRS is also not allowed to share identity theft information with other government agencies. This means that victims of identity theft have little avenue of getting to the bottom of how their personal information might have fallen into the wrong hands.

The GAO said that even in criminal investigations, the IRS can share very limited information with federal investigators and less with state and local authorities.

The spike in number of identity theft cases appears to be the increased surveillance measures adopted by the IRS. For instance, the IRS has begun flagging filings that use Social Security numbers of the deceased. In most cases, it is the tax submission of the victim that raises a flag in the IRS as they appear to be duplicate submissions (the fraudulent submission by the identity thief usually goes in first). In such cases, the processing of the legitimate taxpayer would get delayed.

Likewise, in cases where a person's identity is fraudulently used to secure a job, the system would show that the legitimate taxpayer has not paid his or her taxes. This would usually result in a notice sent by the IRS to the victim saying that he or she has unreported income.

The IRS has taken firm measures on its part to curtail this crime. It has set up a special unit to assist taxpayers who are known victims of identity theft. This unit within the IRS will allow the taxpayers to have their tax returns processed quickly without going through the usual bureaucracy. About 56,000 known victims were also assigned special personal identification numbers to further protect their tax returns.