



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

WAGE AND INVESTMENT DIVISION

06/28/2012

The Honorable C.W. Bill Young
U.S. House of Representatives
Washington, DC 20515

Attention: Matthew Dickerson

Dear Mr. Young:

Thank you for your letter of April 12, 2012, on our policy and processes for identity theft. We appreciate your concern as this is an ongoing problem in the country and continues to worsen. We understand and sympathize with your constituents who have experienced identity theft problems.

Identity theft is a complex problem. The nature of the problem is constantly changing, as identity thieves continue to find new ways to steal personal information. Over the past few years, we have seen a significant increase in refund fraud schemes that involve identity theft. As a result, we have developed a comprehensive identity theft strategy that focuses on preventing, detecting, and resolving these cases.

What actions has the IRS taken in this tax filing season to address the growing number of tax-related identity theft cases?

We have taken a number of additional steps this tax filing season to prevent identity theft and detect refund fraud before it occurs. We designed new identity theft screening filters that improved our ability to identify false returns before we processed them and issued a refund. We also placed more identity theft indicators on taxpayer accounts to track and manage identity theft incidents.

How can the IRS better focus its resources to deal with identity theft and assist victims?

We continue to assess our needs and resources, and, as a result, we are currently undergoing training an additional 1,200 employees to assist with the processing of identity theft cases. We will train these employees to assist identity theft victims

What steps has the IRS taken to ensure the timely issuance of refunds to victims of identity theft?

In identity theft situations, our employees work to resolve all the issues affecting both the taxpayer and the IRS. When we receive a fraudulent tax return, we conduct an in-depth review to identify the “valid” taxpayer, verify the amounts claimed on the tax return, and complete all tax account adjustments. Unfortunately, this process can be time consuming.

Once we verify the taxpayer is a victim of tax-related identity theft, we place an identity theft indicator on his or her account. This indicator triggers a review of any tax return submitted with the taxpayer’s social security number to confirm the validity of the return. We continue working to correct the taxpayer’s account until we complete the correction.

How can the IRS better work with federal, state, and local law enforcement agencies to identify, investigate, and prosecute identity thieves while protecting the privacy of victims?

Recently, we, with the Justice Department, announced the results of a nationwide investigation of suspected identity theft perpetrators. Working with the Justice Department’s Tax Division and local U.S. Attorneys’ Offices, the nationwide effort targeted 105 people in 23 states. This coast-to-coast effort included indictments, arrests, and the execution of search warrants involving the potential theft of thousands of identities and taxpayer refunds. In all, the resulting indictments included 939 criminal charges.

Local law enforcement and other federal agencies play a critical role in combating identity theft. Thus, an important part of our effort to stop identity thieves involves collaborating with law enforcement agencies. Although the rules for protecting taxpayer privacy often make it difficult for us to share information that local law enforcement might find helpful, we are developing a procedure that would enable us to share falsified returns with local law enforcement after obtaining a privacy waiver from the innocent taxpayer. Also, proposed legislation H.R. 3482 (the Tax Crimes and Identity Theft Prevention Act) would expand section 6103 of the U.S. tax code to allow limited disclosure of returns and return information to law enforcement for the purpose of combating tax crimes.

We share your concerns about identity theft. We will continue to review our processes to ensure that we are doing everything possible to minimize the affect of identity theft to taxpayers and help those who are victims of this crime.

I hope this information is helpful. If you need further assistance, please call me at

(559) 454-6004 or Mr. James Denning (Identification Number 1000160482) at (559) 454-6691 if we can assist you further.

Sincerely,

A handwritten signature in blue ink that reads "Rosalind C. Kochmanski". The signature is written in a cursive style with a large initial "R".

Rosalind C. Kochmanski
Field Director, Accounts Management