



Congressional Record

PROCEEDINGS AND DEBATES OF THE 112th CONGRESS, SECOND SESSION

House of Representatives

More Must be Done to Combat Tax-Related Identity Theft

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OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 31, 2012

Mr. Young of Florida: Mr. Speaker, I rise in support of H.R. 4362, the Stopping Tax Offenders and Prosecuting Identity Theft Act of 2012.

Tax-related identity theft is a widespread problem that must be addressed. The Internal Revenue Service (IRS) has reported that 641,052 taxpayers were affected by identity theft last year, more than double the number from 2010. This year, all indications point to an even greater number of incidents of tax-related identity theft. In April, the IRS had already blocked more than \$1.3 billion in potentially fraudulent tax refunds.

While many taxpayers throughout the country have fallen victim to identity theft, the Tampa Bay area that I have the privilege to represent has unfortunately become a hotbed for this criminal activity. Local police have arrested street criminals with hundreds of Social Security Numbers, online tax preparation software, and prepaid debit cards containing tax refunds. Thieves are selling innocent people's identities for as little as \$10 per Social Security Number.

After these criminals have stolen an identity, they file a false tax return using

the victim's name and information. The IRS will send the criminal a refund on a prepaid debit card that is virtually untraceable. The IRS says that these fraudulent refunds could cost the taxpayers \$26 billion over the next five years.

When the victim attempts to file his legal tax return, the IRS flags the account as having already received a refund and then begins an investigation to determine which return was actually filed by the valid taxpayer. Unfortunately, this process can take more than a year to complete and the victims are given no indication when they will receive their refund check. So now, not only has the victim's identity been stolen, the IRS will not give him the money that he or she is rightfully owed.

H.R. 4362 is good legislation in that it calls on the Department of Justice to do more to prosecute tax-related identity theft and strengthens criminal penalties on the thieves. However, I believe there is much more that can be done to combat this growing problem.

It is clear that the IRS needs to do a better job addressing this crime. There are steps that the IRS can and should take to prevent identity theft before it



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sends out fraudulent refunds. The IRS needs to do much better assisting the victims in getting their proper refunds. In May, the Treasury Inspector General for Tax Administration released a report titled, "Most Taxpayers Whose Identities Have Been Stolen to Commit Refund Fraud Do Not Receive Quality Customer Service." More than 40 of my constituents have contacted me to express their personal experiences with tax-related identity theft and frustrations in getting the refunds they are owed from the IRS.

In April, I wrote to IRS Commissioner Douglas Shulman, to call on him to address the growing problem of identity theft. I asked the Commissioner to respond to me about the actions the IRS has taken to combat fraud, how the IRS can better utilize its resources to deal with identity theft, how we can ensure that victims receive their proper refunds in a timely manner, and how the IRS can better collaborate with law enforcement to identify and prosecute identity thieves. Despite the public's increasing concerns regarding this important issue, it took the IRS until the end of June to respond to my original inquiry. I would like to insert into the *Record* my letter to Commissioner Shulman as well as the response from the IRS.

The House Appropriations Committee, of which I am a senior member, has also indicated its strong concerns regarding the IRS's efforts to combat identity theft

in the Fiscal Year 2013 Financial Services and General Government Appropriations bill. Section 103 of the legislation would require the IRS to "institute policies and procedures that will safe-guard the confidentiality of taxpayer information and protect taxpayers against identity theft." Additionally, the Committee Report directs the IRS to report to the Congress regarding the number of cases of tax-related identity theft, the time it takes to resolve cases, and the agency's efforts to expedite resolution for these taxpayers.

The Stopping Tax Offenders and Prosecuting Identity Theft Act is a good start for addressing tax-related identity theft. But it is only a start. As our national debt approaches \$16 trillion, we cannot afford to send out billions in fraudulent refunds to criminals. At the same time, the victims of this crime should not have to wait more than a year to receive the money that is owed to them. There is much the IRS can do on its own to address these issues. However, if more legislative changes are needed, I stand ready to work with my colleagues in the House to combat this problem.