



**November 2, 2011**

## **IRS Ups Audits of Prisoners' Taxes**

In its latest report, the Treasury Inspector General for Tax Administration (TIGTA) said as the IRS continued to catch frauds in their efforts to game the system, it has increased its review of prisoners' tax returns by almost three times. Monitoring tax returns and catching crooks is never easy and the IRS has allowed more than 140,000 taxpayers to claim credits of \$140 million erroneously, according to the TIGTA report.

In an official statement, J. Russell George the TIGTA said, "Overall, the IRS's performance during the 2011 filing season has been successful. The IRS continues to face challenges relating to first-time homebuyer credit repayments, verification of the adoption credit and several energy-efficiency tax credits," as he highlighted the main areas where the IRS needed to tighten surveillance.

At the same time, George expressed his satisfaction that the IRS was taking significant steps to weed out applications for "credits that we have found to be problematic." One thorny issue has been fraudulent claims for credits from prisoners. For a long time, the TIGTA has been concerned about prisoners cheating the government with fraudulent tax returns. According to a June Senate appropriations subcommittee hearing, since 2004 about \$123 million has been siphoned from the government using fraudulent means by prisoners.

This has prompted the IRS to take action. From the beginning of this year till end of April, the IRS said that it had selected 199,854 prisoners' tax returns for audit, more than three times the number of prisoner tax returns screened during the 2010 processing year, according to the report.

As at the end of April, the IRS received about 130.7 million tax returns out of which 105 million were electronic returns and 25.8 were paper returns. About 98.2 million tax refunds totaling about \$277.1 billion were issued. Of these, \$4.6 billion were fraudulent refunds coming from 775,723 tax returns. This represented a 171% increase in the number of fraudulent tax returns compared with last year. The IRS was able to prevent the issuance of more than \$4.4 billion, or 96%, of the refunds, according to the TIGTA report.

But there are caveats to the matter. According to the law, the IRS is not permitted to share prisoner tax return information with federal and state prison officials.

Nevertheless, IRS spokeswoman Julianne Breitbeil reiterated the agency's continued commitment to fighting fraud. "The IRS takes refund fraud very seriously," Breitbeil said in the statement. "We continually work to refine and improve our fraud detection tools."

14 recommendations were made by George to the IRS to better improve the system, tighten supervision of tax credit applications and take steps to recover lost money claimed by fraud.