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IRS Intensifies Crackdown on Tax Fraud

As tax season gets into full swing, the IRS has been spreading its dragnet to catch tax fraudsters. This has been doing on since late January and involved the potential theft of thousands of identities and taxpayer refunds. The IRS intends to come down hard on identity theft and tax refund fraud this year and this action is clearly aimed at warning cheats and potential victims to beware this tax season. The IRS deputy commissioner for services and enforcement, Steven Miller said to reporters, "The timing is not coincidental. It's the start of tax season, this is a large issue, and we want to send a message out there."

The IRS initiative is being carried out nationwide and has thus far resulted in 80 complaints and indictments, 58 arrests (out of 105 people targeted in 23 states) and 939 criminal charges and counting. The operation saw the IRS working in tandem with the Justice Department's Tax Department, US Postal services and local US Attorney's offices. Some cases have been under investigation for months while some even for years.

The worst thing is to find out that someone beat you to filing your own tax return when you submit yours. At one Florida IRS office, at least a dozen tax filers had to spend hours in line to report someone had already filed their returns. Identity theft to fraudulently claim tax refunds was the biggest type of tax fraud. Tax cheats would usually steal your Social Security number at hospitals and schools to claim your tax refund.

And the worst thing is this problem is growing. Since 2008, the number of identity theft cases has increased by a staggering 500% from about 52,000 in 2008 to nearly 250,000 in 2010. Last year the IRS found 260,000 income tax returns with confirmed attempts at identity fraud and blocked the payment of refunds worth \$1.4 billion. In 2010, the IRS says it detected identity fraud in 49,000 returns and prevented the payment of \$247 million worth of bogus refunds.

As part of the crackdown on tax fraud, the IRS has also beefed up their filtering system. As a result, the IRS announced recently that some early taxpayers who filed their taxes on or before January 25 may have to wait a week longer than usual for their refunds because of new anti-fraud measures being installed on computer systems that required "fine-tuning."