



Internal Revenue Service

# Criminal Investigation

# Tax Refund Fraud and Identity Theft



IRS Criminal Investigation  
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# **Internal Revenue Service Criminal Investigation**

Criminal Investigation serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law.

# What is Refund Fraud?

Refund fraud results from the filing of federal income tax return(s) that are supported by false information/statements with the intent to defraud the government.



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## Refund Fraud Programs

- **Questionable Refund Program (QRP)** Schemes consist of individuals filing tax returns claiming false income tax refunds that are generally based on false Federal income tax withholdings or false refundable credits, for example First Time Homebuyer Credit. These are generally not legitimate taxpayers and returns are filed for the sole purpose of defrauding the government.
- **Return Preparer Program (RPP)** schemes consist of Abusive Return Preparers that prepare false income tax returns frequently for large numbers of taxpayers.

# Detecting Refund Fraud

- CI has 4 Scheme Development Centers (SDCs) whose primary mission is detecting refund fraud.
- SDCs have uncovered numerous QRP/RPP and Identity Theft refund fraud schemes
- CI has dedicated one SDC to Identity Theft. This location processes and researches ID Theft leads received from the field.

# Identity Theft

- Stolen Identities are obtained through various methods:
  - Dumpster Diving
  - Skimming credit cards
  - Phishing/BEC
  - Theft/hackers (electronic/physical)
  - Dark Web Purchases

# ID Theft Tax return Filed

- The tax preparer completes a tax return and submits to IRS, but is rejected due to duplicate filing.

# Victim Assistance

- Have to file paper tax returns for your client.
- Need to fill out and sign Form 14039 Identity Theft Affidavit.
- Include a picture copy of drivers license.
- Police report for id theft return.



# Why file a police report

- Local Law Enforcement have some authority to research ID theft information and can prosecute at local level.
- Need to fill out form 8821 A
- They can view the fraud return and potentially do a search warrant on the IP information and the refund.

# Current Trends in Identity Theft

- Refund Schemes perpetrated by prisoners
- Stolen dependants for additional credits (EITC)
- Use of identity by prior year tax return preparer
- Use of identities of those not likely required to file a Federal tax return
- Use of non-wage and withholding tax returns (i.e. Interest Income, Schedule D, Schedule C)

# Enforcement and Partnering

- **Stolen Identity Refund Fraud (SIRF)**
  - On September 20, 2012, DOJ Tax issued Directive 144, Stolen Identity Refund Fraud
  - Provides Federal law enforcement officials with the ability to timely address a subset of identity theft cases.
  - Specifically focuses on identity theft in the context of fraudulent tax refunds and provides for streamlined initiation of these investigations and prosecutions.

# Enforcement and Partnering

- Stolen Identity Refund Fraud (SIRF)
- Law Enforcement Assistance Program (LEAP)
- Identify Theft Clearinghouse (ITC)
- Data Processing Center(DPC) Identity Theft Victims List Process
- Multi-Agency Task Forces and Working Groups



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## The End

- Any Questions??