

# Fraudulent filing of tax returns hits high locally

Sunday, April 19, 2015

By Erin Ragan ~ Southeast Missourian

Since Jan. 1, the Cape Girardeau Police Department has taken an average of one report per day of identity theft leading to the fraudulent filing of tax returns.

Police spokesman Darin Hickey said that amount is "astronomically higher," than in past years' tax filing seasons.

"We've never seen reports like this before," Hickey said, noting that last week the number of identity theft complaints relating to tax returns surpassed 100 for the year so far, and two people were in the police department lobby Friday morning to file such complaints.

Rampant reports of false filings using stolen personal information in communities throughout the country have the Internal Revenue Service looking at a potentially record-setting year for dealing with tax-return fraud, if the upward trend of the past few years continues. The number of identity theft/tax return fraud incidents rose nearly 85 percent, to 2.9 million, from 2010 to 2013, according to the most recent IRS statistics report available.

Identity thieves who commit refund fraud most often do it by obtaining a taxpayer's personal information, such as their name, Social Security number, birth date and address, then use the information to create a fake wage reporting form and electronically file a tax return. The real owner of the information is unaware of the theft until they attempt to file their taxes, at which time they are notified by the IRS, either through their tax preparer or by mail, that their return has been rejected because it is a duplicate filing.

"It is very frustrating," said Paula Huggins, a certified public accountant in Cape Girardeau, who estimates that 1 percent of the 500 clients for whom she annually pays taxes have had their identities stolen and false returns filed this year.

"I'm the one who has to call and let them know," Huggins said.

Huggins said the identity thieves normally get away with a \$7,000 to \$8,000 refund per fraudulent tax return, and that it can take a minimum of three months for the IRS to sort out who is the true owner of information and send out a refund to the actual taxpayer.

"There is no safeguard the IRS has yet," Huggins said. "It's a significant problem, and one the IRS has got to address."

While identity theft leading to refund fraud has been a growing problem in recent years, Huggins said she has noticed a few possible trends this year -- one, that both members of married couples have had their information stolen and used to file fraudulent returns, and that 90 percent of her clients who were victims work in a hospital or the medical field.

Huggins said she could not explain how identity thieves were gaining access to seemingly more detailed information; some taxpayers' information was part of recent, large-scale data breaches, others were not.

Hickey said a detective at the police department who investigates financial crimes turns reports over to the IRS, and the department advises victims of the steps they can take, which include filling out an IRS identity-theft affidavit and a visit to the local IRS office to submit extra proof of identification documents.

Once a taxpayer has reported identity theft, the IRS will issue a personal identification number designed to protect the taxpayer from future fraud. The PIN is used to work through the process of being issued a refund.

Huggins said she believes the PINs should be issued by the IRS ahead of electronic filing, instead of after a taxpayer has already been victimized.

Reports of phone calls from impersonators claiming to be with the IRS and threatening arrest and legal action unless payments are made are also on the rise this year. On Wednesday, a U.S. Senate panel examined the scams, which have caused thousands of people to be defrauded an estimated \$15 million, including \$112,000 from Missouri taxpayers, according to a news release from U.S. Sen. Claire McCaskill's office that warned against the calls.

Government estimates show the scam calls are topping 10,000 per week.

[eragan@semissourian.com](mailto:eragan@semissourian.com)

388-3632

© Copyright 2015, seMissourian.com

Story URL: <http://www.semissourian.com/story/2187028.html>