

**COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515**

February 22, 2021

The Honorable Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Rettig,

We write today regarding reports that taxpayers are receiving information returns for unemployment benefits that they did not apply for or receive. As millions of Americans prepare to file their 2020 income tax returns in the coming days and weeks, we ask the Internal Revenue Service (IRS) to take steps to assist individuals who were the victims of fraud.

As you know, unemployment benefits are reported on a taxpayer's return and taxed as income. Recipients of unemployment compensation therefore receive an IRS Form 1099-G (Certain Government Payments) and must report the benefits as income on their federal income tax return. Recently, there were reports that Americans are receiving Forms 1099-G for unemployment compensation that they never applied for or received. These individuals appear to be victims of an identity theft scheme where someone else received unemployment benefits using the victims' personal information.

Understandably, victims are alarmed to discover that they were victims of fraud and are confused about the impact of this on their federal income tax returns. As so many Americans struggle through the worst economy in a generation, the IRS should act quickly to alleviate their concerns. These victims should not be expected to report and pay tax on amounts shown on a Form 1099-G issued as a result of fraud. Further, we cannot allow their income tax refunds—which often are the single largest payment an individual receives each year—to be held up indefinitely while the IRS investigates an identity theft claim.

Accordingly, we request that the IRS issue additional, detailed guidance for individuals who received a Form 1099-G for unemployment compensation that they did not receive. So that taxpayers know what to expect, we ask that this guidance include a description of how unreported Form 1099-G income will affect the processing of a taxpayer's return. We also ask that the IRS conduct an outreach campaign to ensure that its guidance reaches affected individuals as soon as possible. Further, we request answers to the following questions by no later than Friday, March 5, 2021:

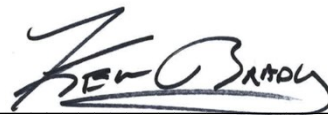
1. How will the IRS's new Identity Theft Central provide assistance to individuals who received an erroneous Form 1099-G due to fraud?
2. Does the IRS have a targeted plan for reviewing 2020 income tax returns impacted by identity theft related to unemployment insurance payments? If so, does this plan include expedited review and processing?
3. Does the IRS have a targeted plan for handling 2020 income tax returns that have been processed but are later identified for underreporting due to a Form 1099-G showing unreported income? If yes, does that plan take into consideration accrual of penalties and interest?
4. How long does the IRS expect a refund will be held up if a return is flagged for Form 1099-G unemployment compensation? What hardship assistance is offered for taxpayers during this process?
5. Does the IRS plan on coordinating with the U.S. Department of Labor Office of Inspector General, the U.S. Department of Justice National Unemployment Insurance Fraud Task Force, or State Attorneys General to ensure perpetrators of fraud are brought to justice?

As always, we are happy to work with the IRS to ensure that Americans receive all the assistance they need during the pandemic. Thank you for your prompt attention to this matter.

Sincerely,



The Honorable Richard E. Neal, *Chair*
Committee on Ways and Means



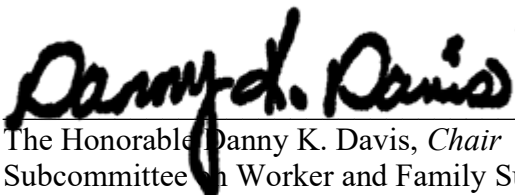
The Honorable Kevin Brady, *Ranking Member*
Committee on Ways and Means



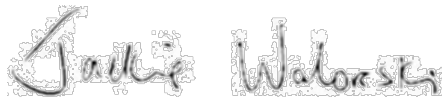
The Honorable Bill Pascrell Jr., *Chair*
Subcommittee on Oversight



The Honorable Mike Kelly, *Ranking Member*
Subcommittee on Oversight



The Honorable Danny K. Davis, *Chair*
Subcommittee on Worker and Family Support



The Honorable Jackie Walorski, *Ranking Member*
Subcommittee on Worker and Family Support