

Congress wants to know how thieves stole tax info from IRS

May 27 2015, by Stephen Ohlemacher



In this April 13, 2014 file photo, the Internal Revenue Service Headquarters (IRS) building is seen in Washington. Thieves used an online service provided by the IRS to gain access to information from more than 100,000 taxpayers, the agency said Tuesday. The information included tax returns and other tax information on file with the IRS. The IRS said the thieves accessed a system called "Get Transcript." In order to access the information, the thieves cleared a security screen that required knowledge about the taxpayer, including Social Security number, date of birth, tax filing status and street address. (AP Photo/J. David Ake, File)

Congress is demanding answers about how identity thieves were able to

[steal the personal tax information](#) of more than 100,000 taxpayers from an IRS website.

Senate Finance Committee Chairman Orrin Hatch has requested a confidential briefing by IRS officials by the end of next week.

"It is critical that this committee fully understand what took place, what [information](#) was at risk, how this may affect tax administration, and what appropriate legislative responses may be needed to reduce the risk of this occurring again," Hatch said Wednesday in a letter to IRS Commissioner John Koskinen.

The information was stolen as part of a sophisticated scheme to claim fraudulent tax refunds, Koskinen told reporters. It was taken from an online system called "Get Transcript," where taxpayers can get tax returns and other tax filings from previous years.

In order to access the information, the thieves cleared a security screen that required knowledge about the taxpayer, including Social Security number, date of birth, tax filing status and street address.

"We're confident that these are not amateurs," Koskinen said. "These actually are organized crime syndicates that not only we, but everybody in the financial industry, are dealing with."

The IRS said it is notifying taxpayers whose information was accessed. The IRS is providing them with credit monitoring services.

Hatch, R-Utah, wants to know where the scheme originated, and whether the IRS can link it to any other breaches at other organizations.

In speaking to reporters, Koskinen wouldn't say whether investigators believe the criminals are based overseas—or where they obtained

enough personal information about the taxpayers to access their returns. The IRS has launched a criminal investigation. The agency's inspector general is also investigating.

Identity thieves, both foreign and domestic, have stepped up their efforts in recent years to claim fraudulent tax refunds. The agency estimates it paid out \$5.8 billion in fraudulent refunds to identity thieves in 2013.

In April, Hatch and Sen. Ron Wyden, the top Democrat on the Finance Committee, quietly launched an investigation into how online tax preparers and prepaid debit card providers screen to prevent [identity thieves](#) from stealing tax refunds. Hatch publicly disclosed the investigation in his letter to Koskinen.

Koskinen said the agency was alerted to the thieves when technicians noticed an increase in the number of taxpayers seeking transcripts.

The IRS said the thieves targeted the system from February to mid-May. The service has been temporarily shut down.

Taxpayers sometimes need copies of old tax returns to apply for mortgages or college aid. While the system is shut down, taxpayers can apply for transcripts by mail.

The IRS said its main computer system, which handles tax filing submissions, remains secure.

In all, the thieves tried to access information from 200,000 taxpayers, the IRS said. They successfully got information on 104,000 of them.

During this filing season, about 140 million taxpayers filed returns. About 23 million people successfully downloaded transcripts from the website used by the thieves.

The IRS is still determining how many fraudulent tax refunds were claimed this year using information from the stolen transcripts. Koskinen provided a preliminary estimate, saying less than \$50 million was successfully claimed.

Thieves can also use the information to claim fraudulent [tax refunds](#) in the future. As identity theft has exploded, the agency has added filters to its computer system to identify suspicious returns. These filters look for anomalies in the information provided by the taxpayer.

Until recently, tax refund fraud has been surprisingly simple, once thieves obtain a taxpayer's Social Security number and date of birth. Typically, thieves would file fake tax returns with made-up information early in the filing season, before the legitimate [taxpayers](#) filed their returns—and before employers and financial institutions filed wage and tax documents with the IRS.

The refunds would often be sent electronically to prepaid debit cards or bank accounts.

IRS officials say new computer filters are helping to stop many crude attempts at identity theft. This year, the IRS stopped almost 3 million suspicious returns, Koskinen said.

However, old [tax returns](#) can help thieves fill out credible-looking returns in the future, helping them get around the IRS filters.

Tax returns can include a variety of personal information that can help someone steal an identity, including Social Security numbers and birthdates of dependents and spouses. The IRS said the [thieves](#) appeared to already have a lot of [personal information](#) about the victims.

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