

United States Senate

WASHINGTON, DC 20510

October 20, 2014

The Honorable John A. Koskinen
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Commissioner Koskinen:

We are writing to request information regarding the IRS's efforts to prevent identity theft-related refund fraud. There has been a substantial increase in this kind of fraud in recent years with \$5.2 billion being lost to fraudulent tax returns in 2013, according to the Government Accountability Office (GAO). GAO characterized this growing problem as a "persistent, evolving threat to honest taxpayers and tax administration" in its latest report on the subject.

We understand that the IRS may not be able to stop all refund fraud, but a lot more can be done within the IRS's current authority to reduce the risk of fraud and improve taxpayer services. We would like an update from you on what you have done to date with respect to the following:

- ***Accelerating the verification of tax return information.*** By law, the IRS has 45 days after a return is due to issue a refund without interest, yet refunds are typically issued just 9.6 days after a return is filed, according to the GAO.
- ***Providing victims of tax-related identity theft with a single point of contact, as recommended by the National Taxpayer Advocate for several years.*** According to the Taxpayer Advocate, "without a single person responsible for transferring cases from one function to another," cases can become "stuck" or lost in the process.
- ***Allowing taxpayers to "turn off" electronic filing, as the Taxpayer Advocate recommended to the Senate Finance Subcommittee on Fiscal Responsibility and Economic Growth as long ago as 2011.*** More than 80 percent of tax-related identity theft occurs through electronically filed tax returns. Shouldn't taxpayers have the option to disable any electronic filing of their tax return?
- ***Allowing any taxpayer to request an identity theft PIN, regardless of whether or not they have been a confirmed victim of identity theft.*** We understand that the IRS has launched a pilot program to allow anyone in states with high fraud rates to request an identity theft PIN. We would appreciate an update on your efforts, if any, to convert this pilot program into a nationwide program.

In addition to the need for improving IRS's existing safeguards and services, we are concerned that the IRS has yet to devise a comprehensive plan to address the problem, if given additional resources. With billions of dollars at stake, we believe that finding a solution to the problem of identity theft-related refund fraud should be a top priority for the IRS. Therefore, we respectfully request responses to the following questions:

1. With respect to detecting, deterring, and criminalizing taxpayer identity theft, please explain how you currently prioritize resources and describe how you intend to allocate resources to this problem in the future. Please also explain what additional statutory authority, if any, the IRS needs to seriously address the problem.
2. For each of the 2012, 2013, and 2014 calendar years, how many taxpayers filed an affidavit alleging identity theft or refund fraud? If possible, please also identify, in dollar terms, how much of the fraud identified through the affidavits still resulted in money being sent to fraudsters.
3. What are the total costs associated with undertaking each investigation into tax-related identity theft? To date, what percentage of the cases resulted in funds being recovered?
4. Does the IRS plan to fully assess the costs and benefits of accelerating information matching, whether it be moving up Form W-2 deadlines or delaying the filing season, as recommended by GAO? If so, when? If not, why not?
5. Do you disagree with any of the GAO's recommendations, as cited in their September report titled "*Additional Actions Could Help IRS Combat the Large, Evolving Threat of Refund Fraud?*" If so, please explain.
6. What further action, if any, does the IRS intend to take to combat this problem prior to the next tax filing season?

Please provide a timely response to these questions. It is essential to stem the tide of this crime before another tax season passes by and billions more taxpayer dollars are stolen.

Sincerely,



Robert W. Wicks



Bill Nelson

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Charles Schumer

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