


Internal Revenue Service
Criminal Investigation




**Tax Refund Fraud
and
Identity Theft**

**Internal Revenue Service
Criminal Investigation Division**
Special Agent Kory Kuba
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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.




**Office of Refund Crimes
Mission**

To support the CI mission by identifying and developing criminal tax schemes for the purpose of referring and supporting high-impact criminal tax and related financial investigations. This mission will be achieved through the use of human and artificial intelligence and via collaboration with stakeholders.




**Federal Identity Theft Task Force
Southern District of Illinois**

- IRS-Criminal Investigation Division
- U.S. Postal Inspection Service
- U.S. Social Security Administration
- U.S. Secret Service
- U.S. Attorney's Office

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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.

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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.

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Identity Theft

- The FTC estimates that as many as 9 million Americans have their identities stolen each year.
- Stolen Identities are obtained through various methods:
 - Dumpster Diving
 - Skimming
 - Phishing
 - Theft
 - Pre-texting

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Tax Refund Identity Theft

- Occurs when someone uses your personal information without your permission to file a tax return.
- Identity Theft can affect taxpayers in two ways:
 - Refund-related
 - Employment-related or Income-related

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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. Schedule C)


Identity Theft Statistics

	FY 2012	FY 2011	FY 2010
Investigations Initiated	741	276	224
Prosecution Recommendations	456	218	147
Indictments/Informations	387	165	94
Sentenced	181	80	45
Percent to Prison	90.6%	100.00%	88.90%
Avg. Months to Serve	44	44	41

Identity Theft Enforcement Actions


January 2013



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Prepaid Cards

- The use of prepaid cards in ID theft schemes has increased significantly.
- Hundreds of billions of dollars are loaded to prepaid cards each year.
- The prepaid cards add a level anonymity.
- Applications for prepaid cards made with third party vendors.

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Victim Assistance

- IRS Identity Theft Affidavit (Form 14039)
- Identity Theft PIN
- Credit Bureaus- Equifax, Experian, and Transunion

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ID Theft Case Summaries

- 2013- Shelby County Sheriff's Office traffic stop
- 2013- Belleville Police Department motel manager informant (Christopher Gilmer)
- 2012- Carbondale Police Department arrest
- 2012- FBI Marion referral; (Childers)
- Hotline phone calls linked to schemes in other districts

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IRS-CID Identity Theft Hotline Number

- Southern District of Illinois
- IRS-CID Duty Agent
- 618-410-6918



Contact Information

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