## House Committee Set to Hear Testimony on Taxpayer Identity Theft Today

June 2, 2011 - The House Oversight Committee on Government Organization is will hear testimony today from both the IRS and several identity theft victims about the growing problem of taxpayer identity theft. This particular crime occurs when someone steals another person's Social Security number and uses it to gain employment or file a fraudulent tax return. It is a crime that has grown 500% since 2008 and it can have a long lasting impact on victims.

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(function() {
var s = document.createElement('SCRIPT'), s1 = document.getElementsByTagName('SCRIPT')[0];
s.type = 'text/javascript';
s.src = 'http://widgets.digg.com/buttons.js';
s1.parentNode.insertBefore(s, s1);
})();
```

Taxpayer identity theft is a rapidly growing problem and the IRS knows it. In 2008, there were 51,702 reported cases of this crime. Last year, that problem grew to 248,357 cases according to a report prepared by the Government Accountability Office (GAO) in preparation for today's hearing.

Taxpayer ID theft can occur in one of two ways. In one type of case, a legitimate Social Security number is stolen and used to gain employment. The person who actually holds that Social Security number can wind up in trouble with the IRS when the fraudulent users income is reported to the IRS on a W-2 or 1099 form.

The second method of theft is when someone steals a Social Security number to file a fraudulent tax return that includes a refund. Again, the actual holder of that SSN won't know that there is a problem until they file their own legitimate tax return.

The IRS is experimenting with several programs to address the issue. Among these is a program that issues PIN numbers to actual hold of an SSN that is known to have had prior fraudulent use. Tax returns that don't include the PIN will not be processed. Another is a program to lock the SSNs of people who are deceased. Again, tax returns filed using one of these SSNs will not be processed.

But one of the largest problems faced by the agency is privacy laws passed by Congress that are very poorly written. Under current law, it is illegal for the IRS to provide the actual holder of an SSN with any information regarding the fraudulent use of their Social Security Number. The IRS may know exactly where the identity thief lives and who employs them, but they are forbidden by law from giving that information to the actual taxpayer. The IRS itself can open a criminal investigation into the matter but internal criminal investigation service is so understaffed that it was only able to 4,706 total investigations in 2010. That means that the risk of prosecution to identity thieves involved in this type of crime is very low.

Congress needs to make changes to these laws. Privacy laws - especially those designed to protect personally identifiable financial information - are supposed to help protect people from identity theft. In this case, Congress has actually engineered laws that have exactly the opposite effect.

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If you suspect that you may have already been victimized by this type of crime or if you think there is a possibility that you could become a victim - for instance, if your wallet is stolen, you can contact the IRS Identity Protection Special Unit by phone at (800) 908-4490.

byJim Malmberg

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