

Tax Time Means Tax Fraud – What You Need To Know

January 15, 2016 – It is the start of a new year. That also means that it’s the start of a new tax-filing season. In fact, the IRS will start accepting 2015 tax filings on January 19th; four days from now. And on that date, we expect the fraudsters to come out of the woodwork.

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Fraudulent tax filings by identity thieves have been a growing problem for several years now. That really shouldn’t be a surprise considering the fact that the IRS has done virtually nothing to prevent this type of crime. And the barriers to entry for identity thieves are extremely low.

All an ID thief needs is your social security number, your name and your date of birth. That same information can then be used to open up fraudulent bank accounts in your name. For millions of Americans, all the information identity thieves need is for sale on black-market internet sights. The thief can then file a tax return showing that a sizeable refund is due in your name. The IRS will wire that refund directly into the fraudulent accounts established in your name.

If you are unlucky enough to have this happen to you, then when you go to file your actual tax return, the IRS will reject it. That’s when your fun begins.

First, you will have to prove that you are the victim of ID theft. Secondly, if you are owed money from the government, it could be months before you receive it. After all, from the government’s perspective, you’ve already received a refund.

Last year, the IRS issued more than \$5 billion in fraudulent refunds. Since there has been virtually nothing done in the past twelve months to prevent this crime, we believe there will be a significant spike in this type of crime this year.

The best defense against this type of theft is simply to file your tax return early. Barring that, the IRS is advising consumers that their next best defense may be to place a freeze on their credit file. While this won't prevent the filing of a fraudulent tax return, it could make it more difficult for ID thieves to open bank accounts in your name. If they can't open an account, their only choice for receiving a refund is to have the IRS mail them a check. Since most ID thieves probably don't want the government to know where they live, this could be enough to protect you.

by Jim Malmberg

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