

Floor Statement on the Taxpayer Identity Protection Act of 2019
Senator Susan M. Collins

January 28, 2019

Madam President, this is the first day in which Americans across the country are eligible to file their 2018 tax returns. I rise today to introduce with my colleague from Alabama, Senator Jones, the *Taxpayer Identity Protection Act*. Our bill seeks to help prevent American taxpayers, including our seniors, from falling victim to identity theft and tax refund fraud.

Last year, the IRS received nearly 142 million individual income tax returns. Nearly 75 percent of these returns were eligible for refunds.

For the most part, these refunds are the return of dollars belonging to taxpayers that were over-withheld from their paychecks in the prior year. Millions of American families eagerly await these tax refunds, money that they may need to pay off debts, settle medical bills, or plug gaps in the family budget. Unfortunately, for some Americans these refunds never come or are long-delayed due to identity theft.

Criminals have figured out that, in many instances, it is cheaper and easier for them to steal taxpayers' identities and hijack their tax refunds than it is to traffic in drugs or rob banks.

Identity theft-refund fraud occurs when a criminal files a false tax return using a stolen Social Security Number and other sensitive personal information from sources like hospitals, schools, or assisted living facilities, sometimes by recruiting employees to steal that personal information. The fraudster then uses these data to prepare fraudulent tax returns.

The thieves make sure to file early, as soon as the tax season opens in January, to increase their odds that they can get a refund before the real taxpayer, who is entitled to the refund, files his or her return. The criminals are known to hold what they call "make it rain parties," where they bring stolen laptops to a motel room with Internet access, and work together churning-out scores of fake returns. These criminals work under the premise of "file early, file often." Once the thieves file the fraudulent tax return, the IRS processes it and issues the tax refund. With each refund worth on average \$2,778, the money can add up quickly for these criminals.

This is by no means a victimless crime. In 2017, the Federal Trade Commission received more than 371,000 complaints of identity theft, including 82,000 complaints related to employment or tax-refund fraud. Taxpayers who have their refunds hijacked by fraudsters often have to wait years to get everything straightened out and to get the refunds to which they are legally entitled. Many, sadly, are re-victimized year after year. A substantial number become victims of other forms of identity theft.

Worst of all, victims are often the most vulnerable. The IG estimates that 76,000 low-income senior citizens were victims of tax-fraud identity theft in 2010 alone.

In 2016, the *Lewiston Sun Journal* published a story about Rick Zaccaro and Bonnie Washuk, a married couple who were the victims of tax refund fraud. They had filed their taxes in late January 2015, and Rick, a retired financial analyst for the Postal Service, was checking the status of their return online in early February – that’s when he learned that they were the victims of identity theft. Someone had filed and claimed a tax refund using their names, dates of birth, and Social Security Numbers. That fraudulent claim was paid by the IRS, while their legitimate tax filing, with their appropriate W2s, was stuck in limbo.

It took months of worrying, frozen bank accounts, and many calls to multiple government offices for this couple to try and straighten things out. When they finally did receive their overdue tax refund, they also received something called an Identity Protection Personal Identification Number – better known as an IP PIN.

To provide relief to some victims of identity theft, the IRS began issuing IP PINs to eligible taxpayers in fiscal year 2011. An IP PIN is a six-digit number assigned to eligible taxpayers that allows tax returns and refunds to be processed without delay and helps prevent the misuse of an individual’s Social Security Number on fraudulent income tax returns.

Here’s how it works. If a return is e-filed with an individual’s Social Security Number and an incorrect or missing IP PIN, the IRS’s system automatically rejects that tax return until it is submitted with the correct IP PIN or it is filed on paper. If the same conditions occur on a paper-filed return, the IRS will delay its processing and any refund that may be due while the agency determines if the return actually belongs to the taxpayer.

In 2013, the IRS began a pilot program in which it offered IP PINs to all taxpayers, not just those who were victims of identity theft, who filed their federal tax returns as residents of Florida, Georgia, or the District of Columbia. According to the IRS, these three locations were chosen because they have the highest per-capita percentage of tax-related identity theft in the country. Taxpayers in these three jurisdictions may opt-in to the IP PIN program if they want that extra layer of identity protection, even if they have not been victim of identity theft.

In preparation for last year’s filing season, the IRS issued nearly three and a half million IP PINs to taxpayers, up from 770,000 in 2013. According to the IRS, within just a month, it had rejected nearly 7,400 fraudulent tax returns that had been filed electronically, and as of March 15, 2018, it had stopped nearly 1,500 paper-filed tax returns. This shows that this system works. If a taxpayer has a special PIN number that has to appear on his or her or their tax return before IRS will process the form electronically and issue the refund, it will stop a criminal who would not have access to that special individualized PIN number from receiving someone else’s tax refund.

The bipartisan *Taxpayer Identity Protection Act of 2019*, that Senator from Alabama and I are introducing today, would expand and make permanent the IRS’s IP PIN pilot program to help combat identity theft refund fraud across the nation. Specifically, our bill would authorize the IRS to expand its pilot program nationally, in phases, over a five-year period. Expanding the program would give all taxpayers, ultimately, the opportunity to further protect themselves from falling victim to tax refund fraud and identity theft, while also saving taxpayers billions of dollars every year in tax refunds that are paid not to the taxpayers who deserve them, but rather to criminals who are impersonating the taxpayer who deserves the refund.

Madam President, having an IP PIN has proven to protect against identity theft. The IRS, I am pleased to report, supports expansion of this vital program over the next five-years. I urge my colleagues on both sides of the aisle to support the adoption of the *Taxpayer Identity Protection Act of 2019*. This is a concrete action that we can take to help protect taxpayers and to ensure that tax refunds go back to the taxpayers who deserve these refunds, who are entitled to these refunds, and not get them misdirected to a criminal who is seeking to rip-off a taxpayers. Thank you, Madam President.

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