

# Fraudulent Tax Returns and IRS Tax Return ID Verification

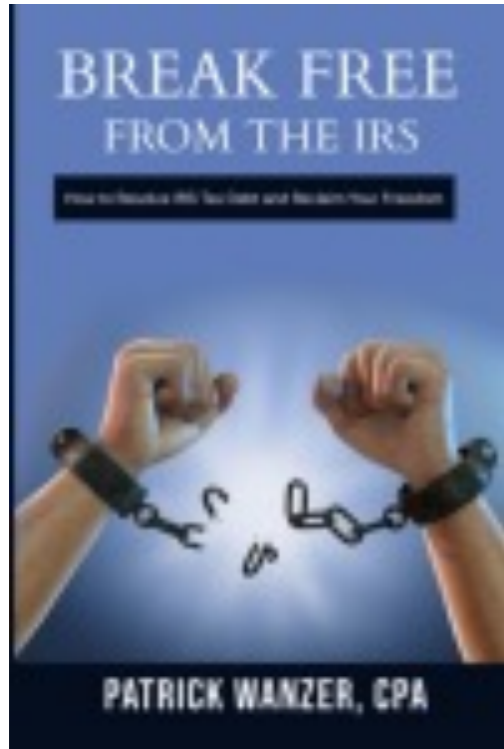
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**TRN**  
TAX REP NETWORK

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- ▶ Director – Tax Resolution Services with Edgewater CPA Group
- ▶ National Trainer – Tax Rep LLC
- ▶ Author of “Break Free From the IRS – How to Resolve IRS Tax Debt and Reclaim Your Freedom”
- ▶ Created and Hosts the Annual Midwest Tax Representation Conference in Indianapolis Each October
- ▶ Certified Tax Representation Consultant
- ▶ Platinum Member Tax Rep LLC

# My Book



## “Break-Free From the IRS – How to Resolve IRS Tax Debt and Reclaim Your Freedom”

- ▶ Great Marketing Tool
- ▶ Available on Amazon
- ▶ <https://a.co/d/hsY16DG>
- ▶ Coming Soon – Book 2 in the “Break Free” Series:
  - ❑ Break Free From the IRS – Taxes and Divorce, a Match Not Made in Heaven

# Agenda

- ▶ Fraudulent Tax Returns
  - ❑ Critical Things to Know
  - ❑ Filing Subsequent Returns
- ▶ Erroneous Refund Checks
- ▶ IRS ID Verification
  - ❑ Form 4883C vs. 5071C
  - ❑ Verification Process
- ▶ 6-Digit ID PIN



# Fraudulent Tax Returns

According to TIGTA's Final Report on the 2023 Filing Season:

- Number of Fraudulent Refund Returns Identified
  - 2021 - 156,465 - (152,887 - stopped)
  - 2022 - 177,493 - (172,668 - stopped)
  - 2023 - 337,662 - (330,904 - stopped)
- Amount of Fraudulent Refunds Identified
  - 2021 - \$928,429,370 - (\$908,912,798 - stopped)
  - 2022 - \$1,512,690,102 - (\$1,476,528,206 - stopped)
  - 2023 - \$2,788,138,565 - (\$2,697,130,305 - stopped)

# Fraudulent Tax Returns

How Do I Know if a Fraudulent Return has potentially been Filed?

- File a return electronically and it is rejected because:  
  
“In an original return, the Primary SSN in the Return Header must not be the same as the TIN of a previously accepted electronic Individual return filed for the same tax period”

# Fraudulent Tax Returns

How Do I Know if a Fraudulent Return has potentially been Filed?

- File a return electronically and it is rejected because:

“A Dependent SSN in the return must not be the same as the Primary or Spouse SSN on another return where Primary Claim As Dependent or Spouse Claim as Dependent is not Checked”

# Fraudulent Tax Return Filed

## What to do now?

- You will need to paper file your client's tax return
  - Items to include with the paper filed return:
    - An explanatory cover letter
    - All tax return schedules
    - Copies of all backup tax documents
    - Copy of Electronic Filing Rejection
    - Signed IRS Form 14039 – Identity Theft Affidavit
    - Copies of Signed Powers-of-Attorney
- You will need original “wet ink” signatures on the return and Form 14039



# Fraudulent Tax Return Filed

## IRS Form 14039 - Identity Theft Affidavit

- ▶ Section A – I am submitting this Form 14039 for myself
- ▶ Section B – I know or suspect that someone used my information to fraudulently file a federal tax return
- ▶ Section C – Name/Contact Information of ID Theft Victim
- ▶ Section D – Last Tax Return Filed
- ▶ Section E - Signature

# Fraudulent Tax Return Filed

## What to do now?

- Mail the return via certified mail with return receipt to the taxpayer's filing campus (for Indiana, it is Kansas City).
- Once the IRS receives the return, it will indicate on the client's account that Identity Theft has been identified
- You will not be able to pull the transcripts for that year through Tax Help Software but you can call the IRS and get transcripts downloaded to your Secure Object Repository (SOR).

# Fraudulent Tax Return Filed

## What to do now?

- Now we sit and wait...and wait...and wait!
- The IRS is currently quoting 18 to 24 months to fully process an ID Theft Tax Return.
- The IRS will not delete the fraudulent return but will update the fraudulent return with the correct information (just like with an amended return).

# Erroneous Refund Check

IRM 21.4.5.2 defines Erroneous Refund as “the receipt of any money from the Service to which the recipient is not entitled”

- ▶ IRM 21.4.5.5.5 (1) – Refunds issued to an identity thief are erroneous refunds; however, the provisions of the IRM do not apply
  - ❑ Erroneous refund issued to identity thief
  - ❑ Erroneous refund issued to taxpayer as the result of a fraudulently filed tax return

# Erroneous Refund Check

What happens if the IRS issues a refund due to a fraudulent tax return being filed?

- ▶ IRM 21.4.5.12 – How to repay an erroneous refund or return an erroneous refund check or direct deposit.

# Erroneous Refund Check

- ▶ Refund Check Issued to Taxpayer – Check Not Cashed
  - ❑ Advise client not to cash refund check
  - ❑ Write void on the refund check
  - ❑ Submit check to the IRS within 21 days of the “date of demand”
  - ❑ Compose letter to IRS to return refund check
  - ❑ Mail refund check to IRS via certified mail to taxpayer’s filing campus

# Erroneous Refund Check

## ▶ Refund Check Issued to Taxpayer – Check Cashed

- ❑ Submit payment within 21 days of the date of demand (date client deposited the check) to the taxpayer’s filing campus
  - Taxpayer can repay in installments (IRM 5.19.1.5.17.1)
- ❑ Write on check/money order – “Payment of Erroneous Refund”, tax period, and taxpayer’s social security number
- ❑ Include cover letter regarding reason why payment is being made
- ❑ Mail check and cover letter to taxpayer’s filing campus
- ❑ Advise taxpayer of possible interest accruals

# Erroneous Refund Check

- ▶ Refund Issued to Taxpayer – Direct Deposit
  - Advise taxpayer to contact the Automated Clearing House (ACH) Department of their bank to have the deposit returned to the IRS.



# Erroneous Refund Check

- ▶ What if a fraudulent refund is issued to the Identity Thief?
  - ❑ The taxpayer will not be liable for the fraudulently issued refund however, it will take a significantly long time for the IRS to resolve the issue.
  - ❑ You may need to file IRS Form 911 with the Taxpayer Advocate's Office

# IRS ID Verification

When the IRS receives a tax return with your name and tax identification number, but believes the return to be fraudulent, the IRS will issue Form 4883C or 5071C. A Form 4883C or 5071C will ask you to complete an online identity verification process to confirm your identity.

- ▶ There is a specific process to follow to verify your ID.
- ▶ It can be done online or by calling the IRS ID Verification Number
- ▶ As your client's POA, you can conduct the ID Verification.

# ID Verification Process

➤ What is the difference between IRS Forms 4883C and 5071C?

1) IRC Form 4883C - Potential Identity Theft during Original Processing – Provides a phone option

2) IRS Form 5071C - Potential Identity Theft during Original Processing with Online Option – Provides online and phone options and is issued most widely


# ID Verification Process

➤ How Many Times Can a Taxpayer Attempt to Verify Their ID Online or by Phone?

1) A taxpayer can attempt to verify their ID online or by phone only once

2) If a taxpayer or POA fails to successfully conduct an ID verification online or by phone, The taxpayer will have to schedule an in-person meeting at the nearest IRS office and do the ID Verification in person.

# ID Verification Process

 **IRS** Department of the Treasury  
Internal Revenue Service  
3651 S IH 35, STOP 6579 AUSC  
AUSTIN TX 73301-0059

In reply refer to: XXXXXXXXXX  
May 09, 2019 LTR 5071c BO  
\* 201812 30  
XXXXXXXXXX  
BODC: WI

FIRST LAST  
1111 STREET NAME  
HENDERSON NV 89052

XXXXXX

Social Security number  
or Individual Taxpayer  
Identification Number: \*  
Tax year: 2018  
Telephone number: 1-800-830-5084  
Website: Identity Verification service  
idverify.irs.gov  
Control number: XXXXXXXXXXXXXXX

Dear TAXPAYER:

We need your assistance before we process your refund or overpayment. We received a federal income tax return, Form 1040, with your name, tax year, and Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN) listed above. To protect you from possible identity theft, we need you to verify your identity before we can process this return and issue a refund or apply the overpayment to next year's estimated tax.

IF YOU DIDN'T FILE

IF you believe someone filed a fraudulent return using your name and SSN or ITIN, contact us immediately to confirm that you may be a victim of tax-related identity theft.

Use one of the following options:

- Online  
Go to our Identity Verification Service website at [idverify.irs.gov](http://idverify.irs.gov). It's quick, secure, and available 24 hours a day.
- By phone, if you can't verify online  
call us at 800-830-5084 between 7 a.m. and 7 p.m. local time.

IF YOU DID FILE

Contact us within 20 days from the date of this letter to verify your identity.

Use one of the following options:

- Online  
Go to our Identity Verification Service website at [idverify.irs.gov](http://idverify.irs.gov). It's quick, secure, and available 24 hours a day.
- By phone if you can't verify online

# ID Verification Process

## ➤ How to Verify Identity

- Go online to verify Identification
  - Your client will need an ID.Me account to verify their ID online
- Call the IRS ID verification line to verify ID over the phone
  - Can only attempt once
  - Call the number on the 4883C or 5071c notice
  - enQ has a line to call to verify ID

# ID Verification Process

## Information needed to conduct the ID Verification Process

- ▶ Taxpayer Name, SSN, City and State of Birth, Birthday
- ▶ Spouse Name, SSN, City and State of Birth, Birthday
- ▶ Address on the Tax Return
- ▶ Form #
- ▶ Control #
- ▶ Verification Tax Return Tax
  - ❑ Tax Owed/Refund
  - ❑ Direct Deposit/Check/Applied to Subsequent Tax Year
  - ❑ Bank Name
  - ❑ Routing # / Account #

# ID Verification Process

## Information needed to conduct the ID Verification Process

- ▶ For Each Spouse
  - ❑ Father's Name, City and State of Birth, Date of Birth
  - ❑ Mother's Name, City and State of Birth, Date of Birth
  - ❑ Mother's Maiden Name
- ▶ Verification Year Tax Return (For Each Spouse)
  - ❑ Wages from W-2
  - ❑ Federal Tax Withheld on W-2
- ▶ Prior Year Tax Return (For Each Spouse)
  - ❑ Wages from W-2
  - ❑ Federal Tax Withheld on W-2



# ID Verification Process

Edgewater CPA Group						
ID Verification Information						
Lester and Sally Adams						
	Birthday	SSN	City, State of Birth			
Lester Adams				Form:	5071C	
Sally Adams				Control #:	XXXXX XXX XXXXX X	
Tax Owed:						
Refund Expected:						
Direct Deposit/Check:						
Bank:						
Routing Number:						
Account Number:						
ID Verification Year Tax Information					City, State of Birth	Birthday
Lester			Father's Name:			
Employer:			Mother's Name:			
Wages/Benefits:			Mother's Maiden Name:			
Federal Tax W/H:						
Address on Return:						
ID Verification Year Tax Information					City, State of Birth	Birthday
Sally			Father's Name:			
Employer:			Mother's Name:			
Wages/Benefits:			Mother's Maiden Name:			
Federal Tax W/H:						
Address on Return:						
Prior Year Tax Information						
Lester						
Employer:						
Wages:						
Federal Tax W/H:						
Address on Return:						
Prior Year Tax Information						
Sally						
Employer:						
Wages:						
Federal Tax W/H:						
Address on Return:						

# ID Verification Process

## ► Miscellaneous Information

- ❑ State Return can be filed separately and electronically
- ❑ Processing Time
  - The verification process will be done in stages (over the phone)
  - Once the ID verification is complete, the return will be forwarded for processing
  - It will take the IRS 6 to 9 weeks to process the ID verification
  - Refund will be issued how the tax return indicated

# ID Verification Process

## ► Miscellaneous Information

### □ Conduct verification but haven't filed a return

- Conduct the verification process
- When it fails, you can paper file the return with an explanatory letter

### □ Taxpayer Advocate's Office

- Can file form 911 with the advocate for help with the processing of return, erroneous refunds, ID theft

- ▶ The 2019 “Taxpayer First Act” required the IRS to implement Identity Theft Victim Assistance Provisions.
  - Section 2005 of the act required the IRS to create a program in which taxpayers, concerned that they may be a victim of identity theft, can request an Identity Protection Personal Identification Number to file a tax return.

# ID Protection Pin

- ▶ One way to prevent fraudulent returns is to apply for a 6-digit ID Protection PIN.
  - ❑ A 6-digit number that prevents someone else from filing a tax return using your social security number.
    - It still protects your account even if you don't have a filing requirement
  - ❑ Fastest way to get an IP PIN is through your online IRS Account (you must register for an IRS ID.me account if you don't have one already).
  - ❑ A new PIN will be available for you every year and must be retrieved online.
  - ❑ Can apply for a PIN with IRS Form 15227 – Application for an Identity Protection Personal Identification Number if AGI from your last return is less than \$79,000.00 for individuals or \$158,000.00 for MFJ

# ID Protection Pin

- ▶ If you are a confirmed victim of tax-related identity theft and the IRS resolved the tax account issued, the IRS will issue you a CP01A Notice
  - ❑ This notice will contain your IP PIN and will be issued each year
  
- ▶ File return without IRS Assigned IP PIN
  - ❑ If filed electronically, the IRS will reject the return
  - ❑ If paper-filed, additional screening to validate your identity is required

# Questions

