

Gavel to Gavel: Tax-refund fraud – a growing problem

By: James M. Scears Guest Columnist March 9, 2016



As tax season is now upon us, taxpayers should know that tax-refund fraud is increasingly occurring.

This kind of fraud happens when someone uses a stolen Social Security number to file a fraudulent tax return and obtain a refund in the name of the person whose number was stolen. Often, legitimate taxpayers do not learn of this type of fraud until they attempt to file their tax returns and are informed that returns have already been filed in their names.

Tax-refund fraud is not a small problem – the Internal Revenue Service has reportedly paid out billions of dollars in fraudulent refunds over the past few years. The good news is that both the IRS and the Oklahoma Tax Commission are aware of the problem and are trying to combat it. The bad news is that tax-refund fraud is expected to soar to higher levels this year than ever before.

The IRS is working with state tax administrators and tax preparation firms to fix the flaws in the current filing system, which make it fairly easy for imaginative thieves to commit tax-refund fraud.

Practically speaking, taxpayers may notice enhanced password requirements, security questions, and lockout features on their tax preparation software this year. And at the state level, the OTC recently announced that in an effort to discourage fraud, it will request driver's license or state-issued card information from taxpayers when they electronically file their state tax returns this year.

Taxpayers should not only know about this growing problem, but also should exercise care to protect their personal data. This includes using security software on computers, such as a firewall and virus protection, along with learning to recognize and avoid phishing emails and threatening communications from thieves posing as legitimate institutions such as banks, credit card companies, and the IRS, all of which are

designed to extract personal data. As an example, taxpayers should be aware that the IRS will never initiate contact by email, text messages, or through social media, to request personal or financial information.

Even the most vigilant person can be a victim of tax-refund fraud, and if you suspect this has happened to you, an attorney can help resolve the situation.

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