

IDENTITY THEFT - INTERNAL REVENUE SERVICE

Identity theft is an occurrence that is on the radar of the Internal Revenue Service. So much so, that it issued a Fact Sheet number 2022-25 on April 11, 2022. In the fact sheet, the IRS advises how taxpayers should handle identity theft.

When someone uses a taxpayer's lost or stolen SSN or individual tax identification number (ITIN) to file a tax return claiming a fraudulent refund that is known as a tax-related identity theft. In most tax-related identity theft cases, the IRS will identify the suspicious tax return and pull it for review.

Once the IRS has pulled the return for review, the IRS sends a letter to the taxpayer requesting additional information. The IRS does not process the pulled return until the taxpayer responds to the IRS's letter. Depending on the situation, the I.R.S. will send one of three letters asking the Taxpayer to verify their identity:

- Letter 5071C, which asks a taxpayer to verify their identity using an online tool and confirm that they did (or didn't) file the return in question.
- Letter 4883C, which asks the taxpayer to call the IRS to verify their identity and confirm whether they did or didn't file the pulled return.
- Letter 5747C, which asks the taxpayer to verify their identity in person at a Taxpayer Assistance Center (usually, this letter is used for taxpayers who have been a victim of a data breach).

Form 14039. A taxpayer who thinks they have a tax-related identity theft problem (but hasn't received a letter from the IRS) should complete and submit Form 14039, Identity Theft Affidavit.

If a taxpayer receives any of the above letters, they don't need to file a Form 14039. Instead, they should follow the instructions in the letter to verify their identity with the IRS. Signs of tax-related identity theft include:

- A taxpayer can't e-file their tax return because a tax return was already filed using their SSN.
- A taxpayer can't e-file their return because a dependent's SSN or ITIN was already used on another return without the taxpayer's knowledge or permission.

In the situations above, taxpayers should first check that the SSN(s) or ITIN(s) on the return is correct and be sure a claimed dependent hasn't filed their own tax return.

- A taxpayer receives a tax transcript in the mail they did not request.
- A taxpayer receives a notice from a tax preparation software company confirming an online account was created in their name, and they did not create one.
- A taxpayer receives a notice from their tax preparation software company that their existing online account was accessed or disabled when they took no action.
- A taxpayer receives an IRS notice informing them that they owe additional tax, or their refund was offset to a balance due, or that they have had collection actions taken against them for a year they did not earn any income or file a tax return.
- The IRS sends a taxpayer a notice indicating that the taxpayer received wages or other income from someone they didn't work for.

- The taxpayer was assigned an Employer Identification Number (EIN), but they did not request or apply for an EIN.

After the IRS receives Form 14039 from a taxpayer, the IRS will work to verify the taxpayer's identity and confirm that the taxpayer is the victim of tax-related identity theft.

Once the IRS confirms the taxpayer is the victim of tax-related identity theft, the IRS will clear any fraudulent return from the taxpayer's account and place a special code on the taxpayer's account. This code will prompt the IRS to send the taxpayer an identity protection personal identification number (IP PIN) to the taxpayer each year. The taxpayer will need to use the IP PIN to e-file their tax return.

Who doesn't need to file Form 14039. Non-tax-related identity theft occurs when lost or stolen "personal identifiable information" (PII) is used to open credit cards, obtain mortgages, buy a car or open other accounts without the victim's knowledge.

Potential evidence of non-tax-related identity theft can include the taxpayer:

- Receiving balance due bills from companies the taxpayer didn't do business with, magazine subscriptions they didn't order, statements for a mortgage and/or credit cards they didn't apply for.
- Receiving notices of unemployment benefits they did not apply for.
- Receiving a Notice CP 01E, Employment Identity Theft. The IRS sends this notice when another person may have used the taxpayer's SSN to obtain employment but hasn't used it to file a tax return.
- Receiving a Form W-2 or 1099 from someone they didn't work for or receive the reported income from but they haven't received a notice or letter from the IRS questioning them about that income.
- A taxpayer can't e-file their return because a dependent's SSN or ITIN was already used by someone who is known to the taxpayer but is not the parent or legal guardian, and the taxpayer did not provide permission for that person to claim the dependent.

For additional information about this last issue, see Publication 1819, Divorce and non-custodial, separated, or never married parents .

Victims of non-tax-related identity theft don't need to report these incidents to the IRS but should take steps to protect against the type of identity theft they've experienced.