Congress of the United States
Washington, DC 20515

April 10, 2014

The Honorable John A. Koskinen
Commissioner of Internal Revenue
Internal Revenue Service
1111 Constitution Avenue NW, Room 3000
Washington, DC 20224-0002

Dear Commissioner Koskinen,

As you are no doubt aware, the incidence of identity theft-related tax fraud is exploding in the US. On November 29, 2012, the Government Accountability Office (GAO) reported over 640,000 cases of identity theft-related tax fraud in 2012 alone -- more than double the number from 2011. Moreover, the GAO report suggests that this represents only a fraction of the overall fraud. In July 2012, the Treasury Inspector General for Tax Administration (TIGTA) found 1.5 million potentially fraudulent tax returns in 2011, constituting $5.2 billion in losses to the Treasury. TIGTA estimated that this will accumulate to $21 billion in losses to the US Treasury over the next five years.

TIGTA also made several other troubling findings, including:

- In tax year (TY) 2010, more than 48,000 Social Security Numbers (SSNs) were used multiple times to generate separate fraudulent returns;

- The IRS is still not in compliance with direct deposit regulations requiring tax refunds to be deposited in an account only in the name of the individual listed on the tax return. Of the approximately 1.5 million TY 2010 fraudulent tax returns identified, 1.2 million (82 percent) used direct deposit to obtain tax refunds totaling approximately $4.5 billion. One bank account received 590 direct deposits totaling over $900,000.

- The IRS does require identity verification before e-filing, but IRS controls can be easily circumvented. Of the 1.5 million fraudulent returns identified by TIGTA, almost 1.4 million (91 percent) were e-filed.

Similarly, a July 16, 2012 TIGTA assessment of fraudulent use of Taxpayer Identification Numbers (TINs) found, incredibly, that 23,944 were mailed to a single address in Atlanta, Georgia, for a total of $46,378,040. Another Atlanta address received 11,284 separate refunds for more than $2,164,976.

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Around the country, false returns went to other bogus addresses:

- Oxnard, California – 2,507 refunds sent to one address totaling over $10.3 million
- Raleigh, North Carolina – 2,408 refunds sent to one address for nearly $7.3 million
- Phoenix, Arizona – 2,047 refunds sent to one address worth nearly $5.6 million
- Addresses in Palm Beach Gardens, Florida, and two towns in California also had high concentrations of false returns, for refunds totaling more than $10.7 million

While this is by no means an exhaustive list of GAO's and TIGTA's findings, the above items do suggest that there are relatively easy steps that the IRS could take to stop the bleeding from the US Treasury on the front end, before the fraud occurs. Proactive steps could save billions of dollars, and prevent millions of Americans from being victimized.

To that end, we would like to know:

- What is the IRS doing specifically to address the weaknesses cited by GAO and TIGTA?
- What recent action(s) has IRS taken to address identity theft-related tax fraud?
- What future action is planned by the IRS to combat this problem and protect US taxpayers?

Most recently, a TIGTA report issued September 20, 2012, regarding Tax Year 2011 tax returns identified approximately 1.1 million instances of likely identity theft-related tax fraud that went undetected by the IRS, totaling approximately $3.6 billion. Amazingly, thousands of these returns went to addresses in Bulgaria, Lithuania, China and Ireland.

As the new Commissioner of the IRS, we the undersigned urge you to make combating this problem a top agency priority, and we look forward to receiving your response to the above questions.

Thank you for your time and attention in this matter.

Sincerely,

Ted S. Yoho, DVM
Member of Congress

Rodney Davis
Member of Congress

Lamar Smith
Member of Congress

Phil Roe, MD
Member of Congress

John Fleming
Member of Congress

Bill Posey
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