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By John Breyault, National Consumers League

Identity theft is a major problem for consumers in the United States. In 2011, the Federal Trade Commission (FTC) received 279,156 complaints about identity theft, more than any other complaint category. And that represents only those who knew enough to complain to the FTC. According to a survey by Javelin Strategy & Research, 11.6 million adults became victims of identity fraud – that’s the use of one’s stolen information – in 2011, an increase of 13 percent from the previous year.

Over the past few years, identity thieves discovered a new and practically riskless form of identity theft – filing fraudulent tax returns with stolen personal information. In 2011 alone, the Internal Revenue Service (IRS) stopped 262,000 tax returns and \$1.4 billion in refunds because of identity theft. It is unknown how many others slipped through, but surely the problem is massive. Recently an audit by the Treasury Inspector General for Tax Administration estimated that identity theft may cost the IRS \$21 billion over the next five years.

Shockingly, a source of much of the personal information used to commit these scams is the U.S. government itself. Specifically, identity thieves have used the public availability of the Social Security Administration’s (SSA) Death Master File (DMF) to steal the identities of deceased citizens and file fake tax returns in their names. The DMF contains full names, Social Security numbers and dates of births for more than 83 million deceased Americans. This data is generally used by a variety of insurance and financial service firms for fraud prevention and benefits administration, and is also used by genealogists for research. However, thanks the wide availability of this information online, identity thieves can easily use the information to file returns before the families of the deceased file their own returns. The victims’ loved ones often only find out about the fraud months later when the IRS rejects their own returns.

The National Consumers League has joined with the IRS's National Taxpayer Advocate, the SSA's Office of Inspector General and victim advocates to call on Congress to better protect consumers from this scam. Among the reforms we support are limiting personally identifiable information included in the public DMF, restricting access to the DMF to organizations that can be certified as having a legitimate need for it, and increasing penalties on firms that misuse DMF data.

We're also concerned about the impact on living people when their own personal information is fraudulently used by identity thieves for tax purposes. Victims can encounter long delays getting their tax returns as they try to resolve these problems with the IRS. More needs to be done to protect honest taxpayers from fraud.