



## IR-2014-50: IRS Intensifies Work on Identity Theft and Refund Fraud; Criminal Investigation Enforcement Actions Underway Across the Nation

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### **IRS Intensifies Work on Identity Theft and Refund Fraud; Criminal Investigation Enforcement Actions Underway Across the Nation**

WASHINGTON — As the April 15 tax deadline approaches, the Internal Revenue Service announced today it has started more than 200 new investigations this filing season into identity theft and refund fraud schemes. IRS Criminal Investigation has started 295 new identity theft investigations since January, pushing the number of active cases to more than 1,800.

The coast-to-coast effort by Criminal Investigation is underway as part of a larger effort at the IRS to combat identity theft and refund fraud by pursuing identity thieves, preventing fraudulent refunds from being issued and helping victims of this crime.

"Identity theft is one of the fastest growing crimes nationwide, and refund fraud caused by identity theft is one of the biggest challenges facing the IRS," said IRS Commissioner John Koskinen. "The investigative work done by Criminal Investigation (CI) is a part of an aggressive effort by the IRS to combat this issue on all fronts. We are making substantial progress in refund fraud protection, and the work by CI highlights the important steps we are taking."

Since the start of 2014, increased activity by CI has led to more prosecution recommendations, indictments and sentencing hearings, which reflect the overall success by the IRS on the increased number

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and effectiveness of ID theft filters used during the processing of tax returns. Highlights of this year's work include:

Initiations	Prosecution Recommendations	Completions	Indictments	Sentencing Hearings	Average Months Served	Total ID Theft Investigations
295	272	316	221	189	48	1898

"We remain committed to allocating investigative time and resources to bringing to justice those who steal honest taxpayers' identities for their own personal gain," said Richard Weber, Chief of IRS Criminal Investigation.

A new and key component for IRS-CI's efforts this year is to investigate the misuse of Electronic Filing Identification Number (EFINS). An EFIN is assigned to tax preparers that have completed the IRS e-file Application to become an Authorized IRS e-file Provider. After the provider completes the application and passes a suitability check, the IRS sends an acceptance letter, including the EFIN, to the provider.

IRS Criminal Investigation recognized an increase in the filing of tax returns utilizing stolen or fraudulently acquired EFINS. Since the start of the fiscal year through March 31, 2014, the IRS has revoked or suspended 395 EFINS based on recommendations from CI, and CI has initiated 60 EFIN source investigations involving EFINS used by individuals involved in refund fraud and identity theft schemes. By revoking and suspending the EFINS, IRS can prevent the transmission of the fraudulent tax returns, thwarting the criminal attempts to steal refunds.

Over the last several weeks all 25 CI field offices across the nation have or are conducting enforcement operations related to refund fraud investigations. For example:

- This week, the Miami Field Office is conducting 23 enforcement actions, including indictments and arrests. This is Miami's second surge of enforcement actions within the last six months.
- In the Tampa Field Office, 7 enforcement actions will be conducted.
- In the Los Angeles Field Office, 10 tax return preparers were recently indicted for seeking millions of dollars in fraudulent tax refunds.

"Virtually every Criminal Investigation field office is working identity theft and refund fraud cases," said Weber.

This work reflects the continued high priority being placed on identity theft by the IRS and Criminal Investigation. In Fiscal Year (FY) 2013, the IRS initiated approximately 1,492 identity theft related criminal investigations, an increase of 66 percent over investigations initiated in FY 2012. Direct investigative time applied to identity theft related investigations has increased 216 percent over the last two years. Prosecution recommendations, indictments, and those convicted and sentenced for identity theft violations have increased dramatically since FY 2011. Sentences handed down for convictions relating to identity theft have been significant, ranging from two months to 317 months.

	FY 2013	FY 2012	FY 2011
Investigations Initiated	1492	898	276
Prosecution Recommendations	1257	544	218
Indictments/Informations	1050	494	165
Sentenced	438	223	80

As the IRS continues to battle the ID theft and refund fraud issue, the following are some of the most recent Criminal Investigation case highlights from across the nation during the last three months. All details are based on court documents:

**Miami Resident Convicted in Stolen ID, Tax Refund Scheme Utilizing Stolen EFINS** — On March 27, 2014, A Miami man was convicted by jury of one count of access device fraud and five counts of aggravated identity theft. According to the indictment and evidence, the defendant obtained an IRS Electronic Filing Identification Number (EFIN) and used it to file 52 fraudulent tax returns, many filed with stolen identities.

**Florida Couple Sentenced for Stolen Identity Refund Fraud** — On Feb. 27, 2014, in Tampa, Fla., two defendants were sentenced to 121 months and 192 months in prison, respectively. As part of their sentence, the court entered a \$790,421 money judgment against each, as well as \$790,421 in restitution. Both pleaded guilty to conspiring to commit wire fraud and aggravated identity theft. According to court documents, the defendants and others orchestrated a scheme to defraud the United States Treasury by causing fraudulent federal income tax returns to be filed using stolen identities, and soliciting personal identifying information and addresses from co-conspirators in Florida and Georgia. To facilitate the scheme, the conspirators coordinated the withdrawal of

fraudulently obtained tax refund amounts from prepaid debit cards. The identities used to file the fraudulent tax returns in this scheme belonged to individuals living in various states across the country. As part of the conspiracy, at least 322 federal income tax returns for tax year 2011 were filed claiming refunds of \$2,701,844.

### **Tax Return Preparer Sentenced in Fraud and Identity Theft Scheme**

— On Feb. 18, 2014, a Georgia man was sentenced to 259 months in prison, three years of supervised release and ordered to pay \$7 million in restitution. According to information presented in court, from approximately July 2010 to January 2013, the defendant operated a tax preparation business, working with others, led thousands of victims to believe that they could apply for “government stimulus payments” or “free government money” by providing their names and Social Security numbers. The defendant and his co-conspirators acquired names from a variety of sources, including prisons and homeless shelters. In actuality, no stimulus program existed, and the defendant and his co-conspirators instead used the victims’ personal information to file fraudulent tax returns that claimed a total of over \$19 million in bogus refunds. The scheme affected over 15,000 victims in virtually every state across the country. A co-defendant was also sentenced to 104 months in prison and ordered to pay \$7 million in restitution, and forfeit his interest in 17 separate pieces of real estate, thousands of dollars that were previously seized from his bank accounts, and other personal items previously seized by the government.

### **New Jersey Woman Sentenced for Conspiring to Defraud the United States**

— On Feb. 10, 2014, a New Jersey woman was sentenced to 44 months in prison, three years of supervised release and ordered to pay \$1,082,638 in restitution. The defendant pleaded guilty to one count of conspiracy to defraud the United States. According to court documents, between April 2008 and August 2011, the defendant and others advised numerous people that they could receive tax refunds of several thousand dollars each by filing fraudulent federal tax returns. The scheme involved reporting inflated amounts of income and taxes withheld, which resulted in artificially inflated tax refunds. The defendant and co-conspirators instructed others to provide names, social security numbers, dates of birth, number of dependents and addresses. After obtaining this information, fraudulent tax returns were filed using Internet-based software from the defendant’s residence. The tax refunds were received in the form of either United States Treasury checks or prepaid debit cards deposited into various accounts the defendant established in the names of her conspirators. The defendant retained a percentage of the refunds as her fee for filing the fraudulent returns. On Aug. 22, 2011, law enforcement agents executed a search warrant at Mitchell’s residence and recovered ledgers containing identifying information for approximately 100 individuals, as well as a stack of prepaid credit cards issued in the

names of dozens of people. Subsequent analysis of this information revealed that a total of 127 people were participants and/or victims, and defendant filed hundreds of fraudulent tax returns seeking \$1,082,638 in refunds.

The latest information on [Identity Theft](#) enforcement efforts and individual cases are available on IRS.gov and more information on our overall efforts is available on our main [identity protection](#) page.

#### **Related Information:**

- [IRS Criminal Investigation Combats Identity Theft Refund Fraud](#)
- [IRS Combats Identity Theft and Refund Fraud on Many Fronts](#)
- [Tips for Taxpayers, Victims about Identity Theft and Tax Returns](#)

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