

Tax Fraud Alert: Fraudulent e-file returns on the rise

Return preparers and financial institutions should be on alert!

The IRS wants to make return preparers and the financial institutions offering refund anticipation loans (RALs) aware of a growing fraud area that may affect you. There has been a significant increase in the number of fraudsters filing completely false returns based on bogus documents. This is being done for the sole purpose of obtaining illegal refunds, mainly in the form of refund anticipation loans so they can get the money as fast as possible.

In these schemes, the fraudulent tax returns are being used as the vehicle for obtaining the loans which are the proceeds for the perpetrators of these crimes. When the RAL is paid by the financial institution, the fraudsters disappear, leaving the return preparer and the financial institution incurring a loan loss if the refund is not issued. And the vast majority of these fraudulent refunds are stopped by the IRS so the loans are never paid.

This crime is increasing at a disturbing rate. Last year, one in every 966 e-filed returns was fraudulent. While just three years ago, that number was one in 4,789.

The vast majority of fraudulent e-file returns are being transmitted by practitioners who offer e-file. During the 2003 filing season, a total of 55,904 fraudulent returns were e-filed. Of those, 78 percent came through practitioners. In addition, there were 212 unique Electronic Filing Identification Numbers (EFIN) that transmitted more than 50 fraudulent returns.

As a tax practitioner offering e-file and RALs, please practice due diligence and be on guard to stop fraudulent returns from being filed through your EFIN. To prevent fraud, you should look closely at all documents, particularly those authenticating the identity of the taxpayer, and question suspicious activity. The following may be indications of fraudulent activity:

- W-2s that are typed, handwritten, duplicated or have noticeable corrections.
- W-2s for a firm in the area that differ from other W-2s from the same firm.
- Suspicious people accompanying the filer and observed on prior occasions.
- Multiple refunds directed to the same address or P.O. Box.
- Employment or earnings that are a basis for refundable credits are not well documented.

- Similar returns (e.g. same amount of income, deductions or refund.)

Report potentially fraudulent documents to the IRS for evaluation. Documents may be faxed directly to the IRS Criminal Investigation Fraud Detection Center for your state.

State	Fraud Detection Center	Fax Number
CT, MA, ME, NH, RI, VT, Upstate NY, MI	Andover	978.691.6902
GA, NC, SC, AL, FL	Atlanta	678.547.3344
TX, NM, AZ	Austin	512.460.7436
Brooklyn, Manhattan, NJ	Brookhaven	631.447.4608
OH, KY, WV, IN	Cincinnati	859.669.3711
CA	Fresno	559.441.5881
IL, WI, ND, SD, NE, IA, KS, MO, MN	Kansas City	816.823.8543
AR, TN, MS, LA, OK	Memphis	901.546.3148
CO, MT, WY, UT, NV, ID, OR, WA, AK, HI	Ogden	801.620.6806
PA, VA, MD, DE	Philadelphia	215.516.1445

Visit www.irs.gov regularly for information updates and Tax Fraud Alerts; these can be quickly accessed by using IRS keyword: Fraud.