

IRS Launches Criminal Investigation Into Hacking Of More Than 100,000 Taxpayer Files

By Administrator
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WASHINGTON (AP) — More than 100,000 taxpayers have had their personal tax information stolen from an IRS website as part of an elaborate scheme to claim fraudulent tax refunds.

The information was stolen from an online system called "Get Transcript," where taxpayers can get tax returns and other tax filings from previous years. In order to access the information, the thieves cleared a security screen that required knowledge about the taxpayer, including Social Security number, date of birth, tax filing status and street address, the IRS said Tuesday.

"We're confident that these are not amateurs," said IRS Commissioner John Koskinen. "These actually are organized crime syndicates that not only we, but everybody in the financial industry, are dealing with."

The IRS said it is notifying taxpayers whose information was accessed. The IRS is providing them with credit monitoring services.

Koskinen wouldn't say whether investigators believe the criminals are based overseas — or where they obtained enough personal information about the taxpayers to access their returns. The IRS has launched a criminal investigation. The agency's inspector general is also investigating.

Identity thieves, both foreign and domestic, have stepped up their efforts in recent years to claim fraudulent tax refunds. The agency estimates it paid out \$5.8 billion in fraudulent refunds to identity thieves in 2013.

"Eighty percent of the of the identity theft we're dealing with and refund fraud is related to organized crime here and around the world," Koskinen said. "These are extremely sophisticated criminals with access to a tremendous amount of data."

Congress is already pressing the IRS for information about the breach.

"It's deeply concerning that taxpayer information has been compromised," said Rep. Paul Ryan, R-Wis., chairman of the tax-writing House Ways and Means Committee. "Protecting the taxpayer is supposed to be the IRS's top priority, and we need answers from them."

Koskinen said the agency was alerted to the thieves when technicians noticed an increase in the number of taxpayers seeking transcripts.

The IRS said the thieves targeted the system from February to mid-May. The service has been temporarily shut down.

Taxpayers sometimes need copies of old tax returns to apply for mortgages or college aid.

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While the system is shut down, taxpayers can apply for transcripts by mail.

The IRS said its main computer system, which handles tax filing submissions, remains secure.

In all, the thieves tried to access information from 200,000 taxpayers, the IRS said. They successfully got information on 104,000 of them.

During this filing season, about 140 million taxpayers filed returns. About 23 million people successfully downloaded transcripts from the website used by the thieves.

The agency is still determining how many fraudulent tax refunds were claimed this year using information from the stolen transcripts. Koskinen provided a preliminary estimate, saying less than \$50 million was successfully claimed.

Thieves can also use the information to claim fraudulent tax refunds in the future. As identity theft has exploded, the agency has added filters to its computer system to identify suspicious returns. These filters look for anomalies in the information provided by the taxpayer.

Until recently, tax refund fraud has been surprisingly simple, once thieves obtain a taxpayer's Social Security number and date of birth. Typically, thieves would file fake tax returns with made-up information early in the filing season, before the legitimate taxpayers filed their returns — and before employers and financial institutions filed wage and tax documents with the IRS.

The refunds would often be sent electronically to prepaid debit cards or bank accounts.

IRS officials say new computer filters are helping to stop many crude attempts at identity theft. This year, the IRS stopped almost 3 million suspicious returns, Koskinen said.

However, old tax returns can help thieves fill out credible-looking returns in the future, helping them get around the IRS filters.

Tax returns can include a variety of personal information that can help someone steal an identity, including Social Security numbers and birthdates of dependents and spouses. The IRS said the thieves appeared to already have a lot of personal information about the victims.