



New IRS Tax Identity Theft Prevention Program

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Synopsis

Identity theft is one of the fastest growing crimes and tax identity theft is no exception. Victims of tax identity theft can experience substantial problems with obtaining a valid refund or with the processing of their returns. In 2008, the IRS began using identity theft **indicators and filters** on the accounts of known tax identity theft victims.

These indicators help the IRS to:

- Distinguish between legitimate and fraudulent returns,
- Preventing recurring tax account problems for victims in successive tax years,
- Address problems experienced by victims.

Difficulties arise when a fraudulent return is filed before the victim's legitimate return. IRS systems will process the first return received and accept the fraudulent return as the victim's return. The IRS has now taken specific steps to prevent these problems for tax identity victims. Taxpayers should be aware of these recent steps.

For a taxpayer who has been identified by the IRS as a previous victim of tax identity theft, the indicators placed on the account and a series of filters are now used to determine whether a return is legitimate. When the IRS receives a return for a past victim, the return is matched against these indicators and filters before automatic processing to help the IRS determine whether the return is valid or fraudulent. For 2011, new IRS rules will require most tax returns to be filed **electronically**. If the return fails to pass through any of the filters or indicators, it will be **kicked out** of the normal IRS system and **manually** reviewed and verified by IRS personnel before processing. This will cause a **delay** in the processing of the return.

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In **mid-November 2011**, selected taxpayers with identity theft indicators on their accounts will receive a new IRS introductory notice letter (IRS Letter 4868CS) advising them that they will shortly receive a new **Identity Protection PIN** (IP PIN). Approximately one month later, IRS Letter 4869CS will follow, assigning a special **new 6-digit IP PIN number** to the taxpayer for the 2011 taxation year. This new IP PIN is an authenticator that must appear on the taxpayer's 2011 tax return. This safeguard will allow the legitimate return to bypass the filters and expedite processing for the tax year.

The taxpayer will receive a new IP PIN for each successive taxation year that the identity theft indicator remains on their account.

Here is what farmers need to know in connection with the new IP PIN numbers:

- **Save the IRS letters regarding the new IP PIN if you receive them. Do not lose the new number.** If your return is electronically filed without entering the IP PIN in the designated place, the return will be **rejected** and a paper return becomes necessary. This will typically cause **substantial delays** in the processing of your return
- Be sure to give the number to your tax preparer
- If you and your spouse **both** receive the IP PIN letters, provide **both sets** to your tax preparer. The IP PIN of the taxpayer whose name appears first on the return will be used.