

Tax Refund Scheme Targets Healthcare Professionals



Physicians are emerging as prime targets of a fraud scheme that redirects the physician's income tax refund. During the recent 2014 tax filing season, CPA firms across the country reported substantial increases in the number of physicians who have become victims of the IRS identity theft/tax refund scheme. In 2013 the IRS estimated about 1.6 million people were victimized and Florida leads the nation in the number of claims. Physicians specifically have emerged as these prime targets due to their higher than average incomes and more complex returns (which often prevents early filing).

ABC News reported on May 8, 2014 that health care professionals, specifically doctors, dentists, and nurses, have been increasingly targeted by these scams. In April, federal authorities charged 25 South Florida suspects with stealing personal information to file fraudulent income-tax returns. The 25 suspects were charged in cases involving approximately 14,000 taxpayers and \$36 million in false refund claims. Closer to home, right here in Jacksonville, a former prisoner who was exonerated on murder charges was arrested in April and charged in an identity theft scheme with losses of about \$6.8 million.

While this fraud has not received the publicity of credit card identity theft, it is increasing rapidly. This scheme not only steals from individual taxpayers, but from all taxpayers, as the IRS does eventually make the victimized taxpayer whole. All taxpayers, whether victims or not, should be aware of how the fraud works and how to minimize the chance of becoming a victim.

How It Works

The identity thief electronically files a false tax return using a taxpayer's Social Security number. The thief includes false income and income tax withholding information to

claim a large refund. Since IRS employees have been incentivized to expedite refunds, the refund is usually processed before the fraudulent information is validated. The refund is then refunded to a bank account opened by the identity thief, typically in the taxpayer's name. The fraud isn't discovered until the legitimate taxpayer attempts to file his or her own tax return and is informed by the IRS that a tax return with his or her Social Security number has already been filed.

What To Do If It Happens To You

If you are a victim of this fraud, or think you may be a victim, it is important that you take appropriate action.

- Contact the IRS.
- If your electronic return is rejected, or if you have been the victim of identity theft not related to IRS filings, call the IRS Identity Protection Specialized Unit at 1-800-908-4490 to report the fraud.
- Since the return was rejected for electronic filing you will need to file a paper return by mail.
- You will need to file IRS Form 14039 Identity Theft Affidavit.
- The IRS will verify that a refund fraud has occurred and issue an Identity Protection PIN, which you will use in addition to your Social Security number to file future years' tax returns.
- If you receive an IRS 5071C Letter, which is the IRS notifying you that they suspect you may be a victim of fraud, follow the specific instructions on the form.
- Contact the Social Security Administration by calling their fraud hotline at 1-800-269-0271.
- Contact the three major credit bureaus (Equifax, Transunion and Experian). While our experience has been that this fraud specifically targets IRS refunds and usually does not result in a full-fledged credit identity theft, we believe it is better to be diligent in protecting your assets. You may also wish to purchase a credit monitoring service.
- Consider filing a police report with local authorities. This assists authorities in tracking down the perpetrator.

Be prepared for the resolution to take some time. The IRS is inundated with identity theft claims and they are working with very limited resources to combat the increasing instances of fraud. On a recent visit to an IRS office, I personally witnessed at least 100 people waiting in line concerning their identity theft issues.

For additional information on tax return fraud, please contact your CPA. ♦



**James R. White, CPA
Partner**

Direct: 904.224.9775
jwhite@TheLBAGroup.com

ICD-10 Delayed

In May, the House and the Senate agreed on legislation to delay the implementation of ICD-10 until at least October 1, 2015. However, we recommend you continue with your conversion training and process development to ensure your practice is fully prepared for the conversion when it does go into effect. Please contact Carol Crews at 904.224.9787 or ccrews@TheLBAGroup.com with any questions or concerns around the implementation of ICD-10.

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