American Coalition for Taxpayer Rights (ACTR): Assisting IRS and States in Combatting Stolen Identity and Tax Refund Fraud (SIRF)

August 2016

Stephen M. Ryan, Esq.
David D. Ransom, Esq.
Who Is ACTR and How Has It Partnered with IRS?

- ACTR is a 501(c)(6)
- The 13-member Coalition is made up of two components: (1) tax preparation and tax software companies, and (2) financial services settlement companies.
- ACTR members assist in the preparation and electronic filing of more than 94 million of the approximately 146 million individual federal income tax returns in 2014.
- ACTR members provide about 19 million of the nearly 21 million Refund Transfers (RTs) chosen by taxpayers each year.
Who Is ACTR? (Continued)

- The tax preparation companies’ electronic filing offerings range from:
  - In-person (brick-and-mortar) tax preparation
  - Do-It-Yourself (DIY) software
  - Professional software (used by CPAs, attorneys, enrolled agents and independent tax preparers)

- The financial services settlement companies primarily offer and facilitate the Refund Transfer (RT), which:
  - (1) facilitates various refund disbursement methods (e.g., direct deposit, cards, checks) for taxpayers; and
  - (2) are compliant with federal banking regulations.
Who Is ACTR? (Continued)

- ACTR tax preparation and tax software companies:
  -- H&R Block
  -- Intuit
  -- Jackson Hewitt
  -- Liberty Tax
  -- TaxACT
  -- TaxSlayer
  -- CCH Small Firm Services (UTS)
  -- OnLine Taxes Inc.
  -- TaxHawk

- ACTR financial services companies:
  -- Metabank/Refund Advantage
  -- Republic Bank & Trust
  -- Santa Barbara Tax Products Group
  -- NetSpend
IRS Initiates Federal-State-Private Industry Security Summit to Detect and Prevent SIRF

- IRS Commissioner Koskinen convened and kicked off IRS-State-Industry stolen identity tax refund fraud “Summit” in March 2015.

- IRS, States and industry stakeholders signed onto a Memorandum of Understanding obligating the parties to share and exchange information in an effort to combat SIRF.

- Duties and responsibilities of the parties:
  -- Authentication
  -- Leads Reports
  -- Information and Analysis Center (ISAC) on SIRF

- Continuing dialogue and interaction.
What Fraud Is the Security Summit Addressing?

- Stolen identity tax refund fraud
- Account takeovers
- Breach
- Identities for sale on the black market/dark web
Establishing an Information Sharing and Analysis Center (ISAC) for Tax

- IRS, States and Industry met with representatives of ISACs designed for FAA (commercial air safety), financial services and the health insurance industry.
- ACTR regards the establishment of an IRS-led Information Sharing and Analysis Center (ISAC) as the critical structural glue to the continued success in responding to stolen identity refund fraud (SIRF).
- IRS, states and industry must be able to share information that helps educate them on threats.
- ACTR sees IRS as leading this ISAC effort.
- Essential that ISAC be stood up as soon as possible.
ACTR Members’ Participation in IRS-State-Industry Summit Process

- Financial Services Working Group – Tax Products Group
- Authentication Working Group – TaxSlayer
- Communications Working Group – Intuit
- Information Sharing Working Group – TaxACT
- ISAC Working Group – HR Block
- Cyber-Security STAR Working Group – HR Block & Intuit
- Tax Professional Working Group -- CCH
Challenges in Combatting SIRF

- Adequate IRS funding from Congress to address the problem.
- Funding from Congress for an ISAC.
- Other issues, including legal barriers designed to protect taxpayer privacy (§6103, §7216).