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HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING WAYS TO ADDRESS TAX FRAUD & IDENTITY THEFT

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, delivered the following opening statement at a committee hearing examining effective solutions to address tax fraud and identity theft in the nation:

Each year, the Finance Committee holds a hearing around the end of the tax filing season. In the past, these hearings have provided unique insight into the issues faced by American taxpayers as well as some of the overall problems we have with our nation's tax system.

The subject of this year's hearing is the rapidly-growing crime of tax fraud by identity theft. This is a serious matter that deserves our careful attention.

Two of my colleagues – Senator Nelson and Senator Crapo – should be commended for their efforts in this area. Their subcommittee – the Subcommittee on Fiscal Responsibility and Economic Growth – has held two hearings on this topic over the last two years.

In addition, this was an important topic of discussion at last year's tax-filing season hearing before the full committee.

I share the concerns of many throughout our country regarding tax fraud by identity theft. From 2010 to 2011, the number of these crimes nearly tripled, going from about 440,000 to over 1.1 million.

Two senior members of my Finance Committee staff know this issue very, very well as they have been the victims of tax fraud by identity theft. In both cases, criminals obtained their Social Security numbers, filed fraudulent returns, and collected refunds.

For both staffers, this began a nightmarish scenario in which they had to spend days on the phone and filling out paperwork just to be able to file their own tax return. And, in the end, they have to live with the fact that their Social Security numbers are out there and they can only

hope that they aren't used to commit another fraud.

So, I want to thank our four witnesses for coming to talk to us about this troubling issue, and I assure you we are listening very carefully.

When it comes to dealing with tax fraud identity theft, I understand that the IRS has adopted a three-pronged approach.

The first prong is prevention, which means stopping this type of tax fraud from being successful in the first place. Clearly, given the prevalence of this crime, much more work needs to be done in this area.

The second prong is providing taxpayer services for those who have been the victims of identity theft. This is a significant focus of the IRS, but it appears that the agency is falling woefully short in some instances.

For example, an audit by the Treasury Inspector General for Tax Administration sampled 17 different identity theft cases and found that the average time it took for these cases to be resolved was 414 days.

That is simply too long a wait for taxpayers who have been the victims of identity theft. I'm hoping we can discuss ways to cut that wait time down during today's hearing.

The third prong of the IRS's approach is catching and convicting the criminals who have committed these crimes. This is a critically important step. If we can step up enforcement, many would-be criminals would likely decide that it's not worth the risk to commit these crimes.

I am interested in hearing more about the IRS's efforts to follow this three-pronged approach, what successes they've had and what challenges they're still facing. That's why I'm glad that we have the top IRS official, Acting Commissioner Steve Miller, here with us today.

In addition, I want to know what other steps could be taken to prevent these crimes, assist the victims, and improve enforcement. I believe all of our witnesses here today will be able to address some of these questions.

While tax fraud identity theft is the major focus of this hearing, we'll also discuss general issues associated with the tax-filing season.

This year, as with every year, taxpayers face a number of issues and obstacles as they try to file their returns. We need to do better in providing assistance during what can be a very difficult time for many of our citizens.

For example, at last year's hearing, I noted that the IRS's goal of answering 61 percent of taxpayers' service calls was unacceptable. I am glad to see this year that the IRS set a

significantly higher goal. That said, I still think more can be done to improve taxpayer service.

I hope we can have a full and informative discussion of these issues during today's hearing. Once again, I want to welcome our witnesses. Mr. Chairman, I look forward to this very important hearing.

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