

April 19, 2016

Dear Majority Members of the Senate Finance Committee:

Yesterday marks the deadline for Americans across the country to file their taxes. Most taxpayers have spent the last few months trying to navigate our complex tax system in order to get their returns done correctly and on time. Tax fraud is turning an already painful process into a nightmare for too many lawful taxpayers. According to a [previous report from the Treasury Inspector General for Tax Administration \(TIGTA\)](#), tax refund fraud losses from identity theft are expected to reach \$21 billion from 2012 to 2017.

These days most everyone knows someone personally who has been victimized either by tax-based identity theft or a fraudulent tax preparer. Taxpayers are left reeling, spending on average four months and hundreds of dollars dealing with the aftermath of being targeted for identity theft fraud. In the case of being taken advantage of by an [incompetent](#) or dishonest return preparer, who, far too often, is not certified or required to meet even minimum standards of competence, innocent taxpayers are required to pay the tax they owe or return their refund, including interest and other penalties. Last year paid tax return preparers submitted over half of all individual income tax returns filed, and of the almost [700,000](#) paid preparers that have registered with the IRS, approximately 400,000 don't claim to have professional credentials – and that's just the preparers we actually know about.

We can all agree that our Committee has a clear responsibility to protect honest taxpayers by pursuing legislative policies that improve the security of their tax information and smooth the filing and refund process. Delivering on that responsibility we all came together last fall and agreed on a bipartisan bill, “The Preventing Identity Theft and Tax Refund Fraud Act”, designed to curb identity theft and stop unscrupulous tax preparers – addressing two of the top scams on the annual IRS “[Dirty Dozen](#)” list. Since that bill was pulled from Committee mark-up eight months ago, incidents of tax refund fraud have only grown in number and severity hurting Americans across the country and costing taxpayers millions of dollars.

Recent examples of tax-based identity theft and refund fraud include:

- In [Georgia](#) a tax preparer illegally obtained names and social security numbers to submit 557 fraudulent income tax returns to the IRS, costing the government \$419,139.
- An eastern Pennsylvania man who ran Dunmore Cash Checking, a fraudulent cash checking, tax preparation and money transfer business serving a largely Hispanic clientele used 250 stolen identities to claim \$1.6 million in tax refund checks according to the [Associated Press](#).
- A Maryland and DC-based tax preparer [filed nearly 200 federal returns](#) that claimed roughly \$400,000 in fraudulent returns.
- Indiana reported that 12% of tax refund dollars requested in 2014 were fraudulent according to the [Indianapolis Star](#). [Most recently](#) a tax preparer who owned and operated more than 20 tax preparation stores in Indianapolis directed employees to falsify Form 1040 Schedule C forms, resulting in a \$1.5 million loss to the taxpayers.
- In Iowa the [Gazette reported](#) that more than 10,000 fraudulent returns were filed last year and of those 2,333 refund claims used stolen identities from Iowa taxpayers.

- In [Ohio](#) a tax preparer used her clients personal information to file false returns without their knowledge or consent and had refunds diverted into her bank account and bank accounts controlled by others who in turn transferred the money to her.

Additional examples can be found [here](#).

As we work together to improve the American tax system, protecting consumers should be at the heart of our effort and is a clear example of bipartisan agreement that we can move forward on now. Protecting consumers isn't a political issue – it's our job. We look forward to working with you to advance this proposal to crack down on fraud by curbing tax-based identity theft scams and putting in place minimum standards for tax preparers. To that end, we must also codify the Volunteer Income Tax Assistance (VITA) program at the funding levels needed to ensure that trusted, free tax assistance remains available to Americans nationwide. Congress should help taxpayers focus on getting their taxes done without also having to worry about getting scammed, whether it's by ID theft or unscrupulous preparers.

Sincerely,



Ron Wyden
Ranking Member



Charles E. Schumer
United States Senator



Debbie Stabenow
United States Senator



Maria Cantwell
United States Senator



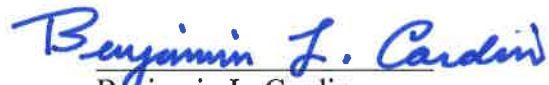
Bill Nelson
United States Senator



Robert Menendez
United States Senator



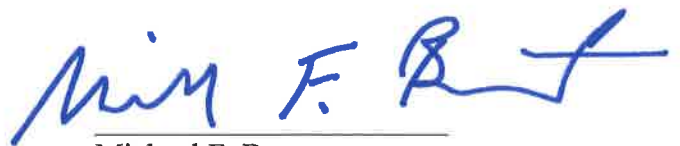
Thomas R. Carper
United States Senator



Benjamin L. Cardin
United States Senator



Sherrod Brown
United States Senator



Michael F. Bennet
United States Senator



Robert P. Casey, Jr.
United States Senator



Mark R. Warner
United States Senator