

Modified Coats Amendment #1 to an Original Bill to Prevent Identity Theft and Tax Refund Fraud

Short Title: Protection of victims of employment-related identity theft.

Description of Amendment:

Background: Employment-related identity theft occurs when a worker submits a false Social Security number (SSN) or false name and SSN to an employer, which results in the Internal Revenue Service receiving a W-2 form or another information return with this false information. These cases can cause severe hardship for the victims of this theft, including accusations of underreporting income and the loss of income-related benefits.

Proposal:

Modifications to victim notification. The amendment adds additional protections to the provision already in the Chairman's Modified Mark that provides for IRS notification of individuals when the IRS determines there has been an unauthorized use of their identity. The amendment provides that the notification shall include, among other information, (1) steps that victims can take to protect themselves from harm caused by the unauthorized use and (2) an offer of IRS victim protection measures such as an IP PIN that allows returns to be filed securely.

In addition, the amendment clarifies that the class of victims notified includes (but is not limited to) victims of employment-related identity theft. In order to ensure the IRS uses both its own internal determinations as well as the information provided to the IRS by the Social Security Administration (SSA), the amendment clarifies that determinations of employment-related ID theft include:

- (1) determinations through internal IRS processes that an SSN on a Form W-2 or other work-related information return does not match either the name on the information return or the name of the tax return filer; and
- (2) information on W-2 name and SSN mismatches that is provided to the IRS by SSA.

Additional employment-related ID theft victim protections:

- To address the current failure of the IRS to examine returns filed on paper, the amendment requires the IRS to examine tax returns and information returns related to employment (whether submitted electronically or on paper) for evidence of employment-related ID theft.

- To ensure that both SSA and IRS records correctly reflect the earnings of victims, the amendment requires—consistent with an effective return processing program with SSA—that the Commissioner of SSA shall request (at least annually) and IRS provide to SSA information returns that contain evidence of employment-related ID theft.
- The amendment requires the IRS to continue to take steps to ensure that identity theft victims are not penalized for underreporting of income as a result of the unauthorized use.

No offset is required.