

What to Do If You're a Victim of Tax Identity Theft

Presented by CJ Ferrari and Mark Miller

When it comes to filing tax returns, many people worry about completing every form correctly and according to the instructions. Unfortunately, taxpayers now have a bigger problem to contend with: the possibility that a scam artist may file a fraudulent return in their name. It happens all too frequently, according to the Internal Revenue Service, which estimates that it will process \$21 billion in phony tax refunds next year.

How the scam works

To fraudulently file a tax return, a thief just needs your name, social security number (SSN), and date of birth. From there, he or she can easily falsify W-2 information and attempt to claim a refund in your name. You, the taxpayer, most likely won't find out about the fraud until it's too late—when you receive notification from the IRS that your real tax return has been rejected. Once you report the fraud, it can take six months or more to clear up the issue with the IRS and get your refund.

Cyber criminals obtain victims' information in a number of ways—posing as an IRS representative and asking for personal details via phone or e-mail, sending phishing e-mails, stealing your W-2 from your mailbox, and exploiting unsecured Wi-Fi networks, to name a few. Unfortunately, with tax fraud, your SSN has been compromised, which means that you may face other identity theft-related problems in the future.

What do you need to do?

Unlike a credit card number, an SSN cannot simply be canceled and changed when it's stolen. If you've fallen victim to tax identity theft, taking these steps can help you protect yourself from the fraudulent use of your SSN going forward.

1. **Notify the Federal Trade Commission (FTC), Social Security Administration (SSA), and IRS.** The more quickly you take action, the less damage will be done. In addition to calling the IRS Identity Protection Specialized Unit at 800.908.4490 to report the theft, you'll want to file a complaint with the FTC and notify the SSA.
2. **Complete and submit IRS Form 14039.** If you haven't already done so, fill out Form 14039, the Identify Theft Affidavit, so that the IRS is aware that your future returns may be at risk.
3. **Apply for an Identity Protection PIN (IP PIN).** Identity theft victims can register for a six-digit IP PIN, which the IRS uses to confirm your identity on future tax returns and prevent further misuse of your SSN.
4. **Notify one of the major credit bureaus.** Report the fraud and place an alert on your credit report with one of the three major credit bureaus: Experian, TransUnion, or Equifax. (When you file a report with one bureau, it is legally required to alert the other two.) A fraud alert on your credit report will require potential creditors or lenders to contact you directly and obtain permission before opening a new line of credit.
5. **Strongly consider purchasing credit monitoring** to keep tabs on your credit report. Credit monitoring services will not only alert you when someone applies for a new line of credit in your name, but they will monitor existing accounts and notify you of any changes. Many also offer recovery assistance services, monetary and legal assistance, and insurance that covers expert identity theft consulting, as well as financial relief.

Staying vigilant

Once you've resolved the issue, you may not face another identity theft problem for a couple of years. Given that at least one thief has your SSN, however, it's important to stay alert. Here are some tips to keep in mind:

- Starting with the 2015 tax year, file your taxes as soon as possible using your IP PIN.
- Remember that the IRS will *never* contact you electronically and only rarely via phone; it typically communicates via letters through the U.S. Postal Service. If you receive a phone call from someone claiming to be with the IRS, hang up and call your local IRS office directly.
- Again, credit monitoring may help you keep tabs on your situation and alert you to possible fraudulent activity.

For more information, including ways to reduce your risk of this type of fraud, visit the IRS's Taxpayer Guide to Identity Theft at www.irs.gov/uac/Taxpayer-Guide-to-Identity-Theft.

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