40 Million Tax Refunds Will Be Delayed as IRS Attempts to Fight Identity Thieves

January 26, 2017 - The tax filing season is upon us and millions of Americans are eagerly anticipating their tax returns. But this year nearly 40 million families will have to wait until the end of February to get their hands on the check. That's because the IRS is taking additional precautions this year to combat tax identity theft.

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Virtually anyone can become a victim of tax identity theft. All that a crook needs to commit this crime is your name and your social security number. He can then file a false tax return in your name, claiming a refund. And he can have that refund sent to an address of his choosing. It's a simple crime and there is almost no chance that he will ever face prosecution.

But the IRS is trying to change that. There are certain patterns used by the identity thieves behind tax identity theft. Most fraudulent returns are filed early. And many of them claim the Earned Income Tax Credit and the Additional Child Tax Credit.

Because of this, the IRS will be paying additional attention to tax returns that follow this pattern. This will slow down their processing of these returns. According to the IRS, the earliest date for processing will be February 15, 2017. This means that earliest that people can expect to receive a check will be in late February or early March.

Tax ID theft is big business. Last year the IRS believes that it granted more than $3 billion in fraudulent refunds. That's down from more than $5 billion for the year before but still a substantial number.

Additionally, tax ID theft isn't a victimless crime. If you are unlucky enough to be victimized, you could find it nearly impossible for you to get your hands on your own legitimate refund. Additionally, you could find the IRS trying to bill you for additional taxes owed as a result of the income claimed on a fraudulent return. And because we're talking about dealing with the IRS, you shouldn't expect any presumption of innocence. It's going to be up to you to prove that you are a victim, not up to the IRS to prove that you aren't.

It should be noted that the IRS could probably stop all tax ID theft tomorrow if it really wanted to. First, it could implement a program that associates a PIN with your SSN. This is old technology but it is quite effective and there is no excuse for not having it. As of today, the only way that you can get a PIN from the IRS is after you have become a tax ID theft victim.

Secondly, the IRS will not notify you if multiple tax returns are filed with your SSN. They claim that would violate the privacy rights of the people filing the returns in your name. Simply put, the policy is insane and it needs to be changed.
byJim Malmberg
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