

IRS Failed to Warn Nearly Half a Million People They Were Victims of Employment Identity Theft in 2017

February 21, 2018 - A new report by the Treasury Inspector General for Tax Administration (TIGTA) says that the IRS failed to warn nearly 500,000 Americans that someone else was using their SSN for employment purposes in 2017. At the same time, the IRS sent notices erroneously more than 15,000 people that they were victims of identity theft. As bad as that may seem, 2017 was the very first year that the IRS attempted to begin such notifications, so the situation is improving.

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  s.type = 'text/javascript';
  s.src = 'http://widgets.digg.com/buttons.js';
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})();
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Employment identity theft occurs when someone falsely uses another person's SSN to gain employment. And it can create a lot of issues for those who fall victim to it.

Specifically, if someone is using your SSN for employment, any income they earn may be assigned to you by the IRS. When you go to file your tax return, you may find out that the agency believes you have underreported your income. That can result in holding up any tax return you might have been expecting. It can also lead to collection efforts, tax liens against property and bank accounts, and potential credit issues. Victims usually find out that it is up to them to prove their innocence.

The problem is something we've written about repeatedly over the years. It should be a simple matter for the federal government to shut down this type of identity theft because the IRS knows immediately if two tax returns are filed, or if tax documents are generated, using identical SSNs. Through 2016 the agency refused to make notifications claiming doing so would create privacy issues. It's a ridiculous claim since identity theft is a felony. The rightful owners of those SSNs have every right to expect the government will pursue and prosecute anyone committing this crime. They also have every right to know that they are being victimized.

Starting in 2017, the IRS put in place a program to flag "mismatched" SSNs (meaning those SSNs being used by more than one person). Once flagged, according to the TIGTA report a software programming issue resulted in a majority of victims being excluded from receiving any notices. Only 112,000 notices were actually sent out and of those, more than 13% were sent in error.

The report made a number of recommendations; all of which the IRS has agreed to. All of those were excluded from

notification in 2017 will be receiving notifications this year. And all of those who received notifications erroneously will be receiving notices of correction.

by Jim Malmberg

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