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Opening Statement

Congressman Gerald E. Connolly

Ranking Member of the Subcommittee on Government Operations

Hearing

Examining the Skyrocketing Problem of Identity Theft Related Tax Fraud at the IRS

August 2, 2013

Thank you Mr. Chairman for holding today's hearing on this critically important issue. As a member of the Subcommittee on Government Organization in the 112th Congress, I was able to review this issue alongside Chairman Platts and Ranking Member Towns and look forward to doing more review in partnership with Chairman Mica in this subcommittee.

Identity theft is a serious problem, as is tax-related identity theft. According to the IRS Taxpayer Advocate, tax-related identity theft jumped more than 650 percent between 2008 and 2012. Last year alone, there were 1.8 million incidents of identity theft and fraudulent refunds.

In my own District, a gentleman and his wife who filed their 2010 tax returns electronically in April of 2011 fell victim to tax-related identity thieves. Their tax filing was rejected because someone else had used his Social Security Number and received a refund before he had filed his legitimate return. My constituent tried for two years to resolve the theft of his tax refund. He spoke with six different individuals at the IRS between April and August of 2011 and was given six different time lines for the issue to be resolved, ranging from 6-8 weeks to a year. Further, the IRS provided conflicting information about forms to fill out, where to send the forms, and whether he should follow up with the IRS or wait for the IRS to contact them. In November of 2011, they received their refund and thought the issue was resolved.

In May 2012, two of my constituents tried to refinance their home and were rejected by their mortgage company because the company was using fraudulent IRS documents. When my constituent called the IRS, they stated "Everything looks fine here. I can't explain it and if there is a problem, I cannot do anything about it." After many ill-fated pursuits at clearing up the situation, the gentleman eventually gave up in frustration; his problem left unsolved.

This is simply unacceptable.

To be fair, the IRS recognizes this fact, and is implementing reforms to enhance its efforts to combat identity theft by adopting a three-pronged approach.

The first prong is prevention, which means stopping this type of tax fraud from being successful in the first place. Clearly, given the prevalence of this crime, much more work needs to be done in this area.

The second prong is providing taxpayer services for those who have been the victims of identity theft. This is a significant focus of the IRS, but it appears that the agency is falling short in some instances.

For example, an audit by TIGTA sampled 17 different identity theft cases and found that the average time it took for these cases to be resolved was 414 days.

The third prong of the IRS's approach is catching and convicting the criminals who have committed these crimes. This is a critically important step. If we can step up enforcement, it will deter the amount of tax-related identity theft that we have been seeing increase over the years.

I am interested in learning more about the IRS's efforts to expand upon this three-pronged approach, including examining IRS successes, as well as challenges they still face. I also would like to hear more about how customer service is being improved to prevent the bureaucratic nightmare that my constituent, as well as millions of other Americans, face every year.

This year, as with every year, taxpayers face a number of issues and obstacles as they try to file their returns. I look forward to working with the IRS to implement corrective actions that will strengthen taxpayer assistance initiatives during what can be a very difficult time for many citizens. I hope today we can have a productive discussion as to how to achieve that goal.

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