

The Tax Refund Theft Prevention Act of 2014

United States Senator Orrin Hatch

This bill enhances the ability of the Internal Revenue Service (IRS) to identify and prevent fraudulent tax refund claims that are made with the use of stolen taxpayer identities (tax refund theft). It includes new assistance for those persons who have been victims of this crime and requires the IRS to establish a new security feature that individuals can use to protect their tax return filings.

Acceleration of Certain Information Reporting Requirements

Businesses would be required to report both employee compensation and certain non-employee compensation to the government earlier in the return filing season. This change would enhance the IRS's ability to identify and prevent fraudulent refund claims.

Increased Electronic Filing Requirements

Paid preparers would be required to file individual income tax returns and most information returns electronically. In addition, the electronic filing requirement for persons that file over 250 returns would be scaled back to 20 returns, over a three year period. Electronic filing enhances the IRS's ability to identify and prevent fraudulent refund claims.

Enhancement of IRS Fraud Detection Capabilities

Existing Treasury Department access to the National Directory of New Hires database would be expanded for the purpose of identifying and preventing fraudulent tax return filings and refund claims.

Single Point of Contact for Refund Theft Victims

Victims of tax refund theft would be assigned a single contact person within the IRS for assistance with correcting their tax records and receiving their tax refunds.

Enhanced Penalties for Refund Theft Using Stolen Identities

The list of aggravated identity theft crimes that are classified as felonies would be expanded to include tax refund theft. Tax return preparers would also face significant new penalties if they inappropriately disclose taxpayer information in connection with an identity theft crime.

Password System for Prevention of Identity Theft Related Refund Fraud

Individuals would be able to add password security to their tax filings. If a return filer elected to add this security measure then a valid tax return could not be filed without also using the correct password.

Positive Identification Requirement

Due diligence requirements imposed on return preparers with respect to the earned income credit (EIC) would be expanded to include a requirement that the preparer verify the return filer's identity. Many fraudulent returns falsely claim the EIC in order to create a tax refund.

Other Refund Theft Prevention Tools

The IRS would be prohibited, with limited exceptions, from issuing multiple tax refunds to the same account or address. Annual tax statements received by employees for wages earned would be required to use a truncated social security number in order to protect the employee's social security number from theft.