

Tax Tips You Can Use



Identity Theft Prevention 101 part 2
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First Published in the Jacksonville Review Feb. 2019

Identity Theft is the issue of this decade. Any of us can become victims, If we shop at stores like Target, pay our medical bills, or go to school, chances are that our personal information is already in the hands of criminals. As taxpayers, we need to do our best to keep our tax records clean and accurate.

The best thing a taxpayer can do to keep an accurate tax account is to file her tax return each year, accurately and completely as soon as her records allow it to be done. That way her tax return will beat any other potential use of the social security number. That is the easy part.

Each year, more and more clients are unable to e-file because their social security number has already been used on a return. This is a frightening circumstance for clients. There are some innocent reasons why this can happen. Some people still hand-write their returns. If they miswrite the social security number for one of their five children, it could be your number by mistake. This problem is easily fixed by the IRS after you mail-in your return and an agent checks both returns. Of course your refund will be delayed by weeks while this occurs. Returns that are mailed-in must be input into the computer by IRS data entry personnel. Although rare, typos can be made at that time. Again, the client return is rejected at e-file, so the return is mailed, reviewed and the refund finally shows up much later.

True identity theft occurs when someone uses your social security number to file a return in your name with false information sending a refund to another bank account. In this case, the taxpayer will be unable to e-file and will mail-in the tax return. The IRS then has to determine which return is correct and which one is fraud. To do that the IRS will send letters to the taxpayers asking for identity information. Once resolved, the true owner of the social security number will get a special PIN number mailed to them each December for the next five years to add to their signature block. Only the return with that PIN will be processed for that social security number. All

others will be blocked and investigated for fraud. If you have one of those PINs DO NOT LOSE IT. In writing this looks simple. In reality it takes months of heartache to solve.

The IRS is doing its best to defeat the criminals. Most efforts are being done in the background looking for the "badges of fraud". One change that will affect taxpayers in 2015 is that no more than three refunds will be able to go into a single bank account. This is to stop the criminals from filing false returns and having all of the money go into a single account. The bad news is that if a family has several members who have refunds going into just one account, the fourth refund will come as a paper check. If this is your family situation, make sure that the smallest refund is the fourth one.

Identity Theft is an issue for all of us. The IRS is doing what it can to prevent it from affecting taxpayers, but each of us needs to protect ourselves and be aware.

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