



Internal Revenue Service

# Criminal Investigation

# Tax Refund Fraud and Identity Theft



IRS Criminal Investigation  
Special Agent Shannon Vernieuw

# Internal Revenue Service Criminal Investigation

Criminal Investigation serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law.

# Office of Refund Crimes Mission

To support the CI mission by identifying and developing criminal tax schemes for the purpose of referring and supporting high-impact criminal tax and related financial investigations. This mission will be achieved through the use of human and artificial intelligence and via collaboration with stakeholders.

# What is Refund Fraud?

Refund fraud results from the filing of federal income tax return(s) that are supported by false information/statements with the intent to defraud the government.



Internal Revenue Service

# Criminal Investigation

## Refund Fraud Programs

- **Questionable Refund Program (QRP)** Schemes consist of individuals filing tax returns claiming false income tax refunds that are generally based on false Federal income tax withholdings or false refundable credits, for example First Time Homebuyer Credit. These are generally not legitimate taxpayers and returns are filed for the sole purpose of defrauding the government.
- **Return Preparer Program (RPP)** schemes consist of Abusive Return Preparers that prepare false income tax returns frequently for large numbers of taxpayers.

# Detecting Refund Fraud

- CI has 4 Scheme Development Centers (SDCs) whose primary mission is detecting refund fraud.
- SDCs have uncovered numerous QRP/RPP and Identity Theft refund fraud schemes
- CI has dedicated one SDC to Identity Theft. This location processes and researches ID Theft leads received from the field.



Internal Revenue Service

# Criminal Investigation

MR. JONES, I'M CALLING FROM YOUR CREDIT CARD COMPANY TO TELL YOU THAT A CROOK HAS STOLEN YOUR IDENTITY!



TO CONFIRM THAT I'M SPEAKING WITH THE REAL MR. JONES, I'LL NEED YOU TO TELL ME YOUR SOCIAL SECURITY NUMBER, DATE OF BIRTH AND MOTHER'S MAIDEN



999-99-9999, 5/22/1949, AND SMITH. . . . . ANY IDEA HOW MY INFORMATION WAS COMPROMISED?



HELLO?  
HELLO?



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# Identity Theft

- All types of crime in which someone, without authorization, obtains, transfers, or uses another person's personal data in some way that involves fraud or deception, typically for economic gain
  - Identity theft - may be committed for various purposes (e.g., fraud, terrorism), but involves use of another real person's identity
  - Identity fraud - may involve use of wholly fictitious identity or another's real identity for fraud scheme.

# Identity Theft

- The Federal Trade Commission estimates that as many as 9 million Americans have their identities stolen each year.
- Stolen Identities are obtained through various methods:
  - Dumpster Diving
  - Skimming
  - Phishing
  - Theft
  - Pre-texting

# Means of Identification

- The term “means of identification” is defined as any name or number that may be used, alone, or in conjunction with any other information, to identify a specific individual
- Includes, name, social security number, date of birth, driver’s license number, alien registration number, passport number, unique electronic identification number.

# Problems for ID Theft Victims

- Harm
  - Direct harm - financial losses
  - Indirect harm - Damage to financial status and reputation, costs of repairing damage
- Detection
  - Indicia of victimization may be slow to come to victim's attention
  - Tainting victim's credit rating may be slow, protracted process
  - Criminal record may not be discovered until police query databases

# Tax Refund Identity Theft

- Occurs when someone uses your personal information without your permission to file a tax return.
- Identity Theft can affect taxpayers in two ways:
  - Refund-related
  - Employment-related or Income-related

# Current Trends in Identity Theft

- Refund Schemes perpetrated by prisoners
- Stolen dependants for additional credits (EITC)
- Use of identity by prior year tax return preparer
- Use of identities of those not likely required to file a Federal tax return
- Use of non-wage and withholding tax returns (i.e. Interest Income, Schedule D, Schedule C)

# Identity Theft Statistics

	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>
<b>Investigations Initiated</b>	1492	741	276
<b>Prosecution Recommendations</b>	1257	456	218
<b>Indictments/Informations</b>	1050	387	165
<b>Sentenced</b>	438	181	80
<b>Percent to Prison</b>	80.6%	90.6%	100.00%
<b>Avg. Months to Serve</b>	38	44	44



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Investigation**

# Coordination Amongst IRS Functions

- Treasury Checks
- Prepaid Cards
- ID Theft Lists
- Filter Updates



Internal Revenue Service

# Criminal Investigation

# Identity Theft Enforcement Actions

January 2013



# Prepaid Cards

- The use of prepaid cards in ID theft schemes has increased significantly.
- Hundreds of billions of dollars are loaded to Open-Loop prepaid cards each year.
- Numerous government programs employ prepaid cards to distribute benefits. Past estimates indicate such activity is in the billions each year.
- The prepaid cards add a level anonymity.

# Enforcement and Partnering

- **Stolen Identity Refund Fraud (SIRF)**
  - On September 20, 2012, DOJ Tax issued Directive 144, Stolen Identity Refund Fraud
  - Provides Federal law enforcement officials with the ability to timely address a subset of identity theft cases.
  - Specifically focuses on identity theft in the context of fraudulent tax refunds and provides for streamlined initiation of these investigations and prosecutions.

# Enforcement and Partnering

- **Law Enforcement Assistance Program (LEAP) Identity Theft Victim (Formerly know as the Identity Theft Victim Disclosure Waiver Process)**
  - Local law enforcement and other federal agencies play a critical role in combating identity theft. As part of this collaborative effort, IRS developed the Identity Theft Victim Disclosure Waiver Process
  - On March 29, 2013, the program was implemented Nationwide.
  - This program provides for the disclosure of federal tax return information associated with the accounts of known and suspected identity victims of identity theft with the express written consent of those victims.

# Ten Things the IRS Want you to Know about ID Theft

1. ID Thieves are all around us.
2. IRS does not initiate contact by email.
3. Report email scams to [phishing@irs.gov](mailto:phishing@irs.gov)
4. Respond immediately if the IRS sends you a letter about possible ID Theft.



# Ten Things the IRS Want you to Know about ID Theft

5. If there were two tax returns filed for you in one year, the IRS will send you a letter.
6. If SSN is stolen it could be sold to someone to obtain a job.
7. If you ID was stolen, file a police report and follow up with the IRS by filing a Form 14039.

# Ten Things the IRS Want you to Know about ID Theft

8. Do not carry your SSN with you.
9. The IRS has an Identity Protection Specialized Unit – 1-800-908-4490
10. The IRS has an Identity Theft Resource Page which can be accessed through the IRS.gov website.

# ID Theft Summaries

## **Three South Florida Women Sentenced in Identity Theft Tax Refund Fraud Scheme**

On April 25, 2013, in Fort Lauderdale, Fla., Alci Bonannee, of Fort Lauderdale, and Sonyini Clay, of Miami Gardens, were sentenced for their roles in an identity theft tax refund fraud scheme. Bonannee was sentenced to 317 months in prison, three years of supervised release and ordered to pay \$1,908,182 in restitution to the IRS. Clay was sentenced to 121 months in prison and three years of supervised release. This was a large-scale identity theft tax fraud scheme that operated from December 2010 through June 2012. During the course of the scheme, there were approximately 2,000 fraudulent tax returns submitted to the IRS seeking \$11 million in refunds. Bonannee filed a majority of the fraudulent tax returns from her house and other locations using compromised personal identification information obtained from a nurse at a local hospital. Clay filed several hundred fraudulent tax returns from her house and other locations. Mozley was sentenced on March 29, 2013 to 42 months in prison, three years of supervised release and ordered to pay \$1,908,182 in restitution.

# ID Theft Summaries

## **Illinois Woman Sentenced for Filing Fraudulent Tax Returns**

On August 20, 2012, in Chicago, Ill., Katrina Pierce, aka Rajona Pierce, was sentenced to 132 months in prison, ordered to pay \$123,670 in restitution to the State of Illinois and \$60,750 to the U.S. Treasury, as well as forfeit \$207,183. According to court documents, Pierce pleaded guilty in January 2012 to fraud and aggravated identity theft. During the course of the investigation, agents recovered 11 different Illinois' driver's licenses, all with Pierce's photo, but the name of another individual, numerous fake social security cards, and blank social security cards and birth certificates. Pierce even had what appeared to be a real birth certificate and social security card for Rajona Pierce. Using the stolen identities of deceased individuals and others, Pierce filed approximately 180 fraudulent federal individual income tax returns with the IRS for tax years 2006 and 2007. Over the course of the scheme, Pierce filed fraudulent tax returns falsely claiming a total of approximately \$500,770 in tax refunds.

# ID Theft Case Summaries

## **Leaders of Multi-Million Dollar Fraud Ring Sentenced**

On May 8, 2012, in Montgomery, Ala., Veronica Dale, of Montgomery, was sentenced to 334 months in prison and Alchico Grant, of Lowndes County, Ala., was sentenced to 310 months in prison. Dale and Grant were both ordered to pay over \$2.8 million in restitution to the IRS. In September 2011, Grant pleaded guilty to five charges from two separate indictments, including conspiracy, wire fraud and aggravated identity theft. In October 2011, Dale pleaded guilty to seven charges from two indictments, including conspiracy, filing false claims, wire fraud and aggravated identity theft. According to court documents, beginning in 2009 and continuing through 2010, the defendants were part of a scheme that involved fraudulently obtaining tax refunds by filing false tax returns using stolen identities. Dale admitted that she filed over 500 fraudulent returns that sought at least \$3,741,908 in tax refunds. These returns were filed using the names of Medicaid beneficiaries, whose personal information Dale obtained while working for a company that serviced Medicaid programs. Dale directed the refunds to different bank accounts that she and other co-conspirators controlled.

# ID Theft Summaries

## **Self-Proclaimed “First Lady” of Tax Fraud Sentenced**

On July 16, 2013, in Tampa, Fla., Rashia Wilson was sentenced to 234 months in prison on wire fraud and aggravated identity theft charges stemming from her scheme to defraud the IRS, and for being a felon in possession of a firearm. Wilson was also ordered to forfeit \$2,240,096, which constituted the proceeds traceable to the offense. According to court documents, from at least April 2009, through their arrests in September 2012, Rashia Wilson and her co-conspirator, Maurice J. Larry, engaged in a scheme to defraud the IRS by negotiating fraudulently obtained tax refunds. They did so by receiving U.S. Treasury checks and pre-paid debit cards that were loaded with proceeds derived from filing false and fraudulent federal income tax returns in other persons' names, without those persons' permission or knowledge. Wilson, Larry, and others then used these fraudulently obtained tax refunds to make hundreds of thousands of dollars' worth of retail purchases, to purchase money orders, and to withdraw cash