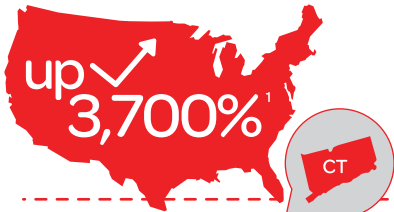


# The Rise of State Tax Refund Identity Fraud in 2015

## The Problem

Identity-based income tax refund fraud in the states is

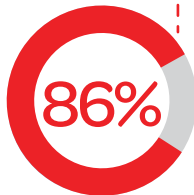


In one state alone, they found a **150% increase** in attempts to steal tax refunds using stolen identities<sup>2</sup>



Identity Theft is the **#1** complaint for **15** consecutive years<sup>3</sup>

Percent of state government tax officials who view identity fraud as a major problem within the state tax refund process<sup>4</sup>



### What is the cause of this huge spike in tax refund identity fraud?



**816** million records have been breached since 2015.<sup>5</sup> The majority of the US population's identities have been compromised.



Recent shift from small time individual fraudster to large, sophisticated criminal groups



Increase in e-filing over the years

### Challenges facing the states today and tomorrow

States feel their current processes and procedures assist in identifying tax refund fraud, but are not able to satisfactorily combat identity fraud within the refund process. They cited multiple reasons:



The sheer magnitude of the problem



Limited time and resources



The inability to share information



Lack of predictive analysis

## The Solution

Despite taxpayers not being personally impacted by tax refund identity fraud, they are very supportive of proposed procedures.<sup>4</sup>

Support for being asked a series of questions that only you would know



Support a delayed payment of the refund



Support the idea that your state might share your data with another state



Very Supportive Moderately Supportive Not Supportive

### States leading the way in the fight

State income tax refund identity theft programs that are leading the way include California, Georgia, Indiana, Louisiana and New York.<sup>4</sup>



**\$88 Million**

Indiana Department of Revenue stopped<sup>6</sup>



**\$50 Million**

California Franchise Tax Board stopped<sup>7</sup>



To access the research related materials, [lexisnexis.com/taxfraudresearch](http://lexisnexis.com/taxfraudresearch)

<sup>1</sup>Krebs on Security, The Rise in State Tax Refund Fraud, February 17, 2015. <sup>2</sup>Harriet Jones, Tax Fraud Prevention Up 150 Percent in Connecticut, State Says, April 20, 2015. <sup>3</sup>Federal Trade Commission Press Release, Tax ID Theft Tops FTC Complaints in 2014; IRS Imposter Complaints Up More Than 2,300 Percent, January 26, 2015. <sup>4</sup>2015 State Income Tax Refund Identity Fraud: Governing Institute and LexisNexis Research Report, June 2015. <sup>5</sup>Privacy Rights Clearinghouse, Chronology of Data Breaches: Security Breaches 2005 - Present, December 31, 2013. <sup>6</sup>Mike Alley, Testimony of Mike Alley, Commissioner, Indiana Department of Revenue to the US Senate Committee on Finance, March 12, 2015. <sup>7</sup>California Franchise Tax Board Tax News, December 2014, <https://www.ftb.ca.gov/professionals/taxnews/2014/December/04.shtml>