



Employment and Tax Fraud

Overview: Fraud and identity theft involving employment and income taxes

It is during this season of tax return preparation and filing that some consumers get the first indication that they may be a victim of identity theft. It could be either employment or tax related, or both. Here, the Investigators of Kroll review each type of identity theft.

Employment fraud occurs when another individual uses your Social Security number (SSN) and, perhaps, other personally identifiable information (PII) to obtain employment. This results in additional wages being reported to the Social Security Administration (SSA) and can result in a denial or loss of benefits such as unemployment or disability. Tax issues can also arise when the employer reports the earned income to the Internal Revenue Service (IRS).

Tax fraud can occur in conjunction with employment fraud when an individual who has obtained employment using your personal information then files taxes using that information. Or, tax fraud can occur as a separate instance when someone files taxes using your PII or that of a dependent. Your first indication of a problem may be any of the following:

Employment Fraud

- » Receiving your annual wage earnings statement from the SSA, which indicates additional wages you did not earn
- » Receiving a W-2 form from an employer with whom you have never been employed
- » Denial of unemployment or disability benefits because SSA records indicate that you are employed

Tax Fraud

- » Receiving a W-2 or 1099 from a company you have not been employed by nor had a financial relationship with
- » Receiving a notice from the IRS indicating there are unclaimed wages or income associated with your SSN
- » Being notified there has already been a return submitted for that tax year when attempting to file your taxes

- » When the IRS will not accept your claim of a dependent because someone has already claimed that dependent or used the dependent's SSN on a different return

Contact your identity theft program if you receive any of the indications listed above. An Investigator can assist in addressing the issues.

Some first steps for response include but aren't limited to:

- » If you receive an unrecognized W-2 or 1099, call the company that issued the notice and ask them to verify their information. The form may have been sent in error.
- » If you attempt to file your taxes electronically and are notified that a submission using your Social Security number was already received for that tax year, print and mail your return. If it was an internal error, the IRS may detect and fix the error automatically.
- » If you receive any correspondence from the IRS, be sure it is legitimate before responding. The IRS will not request your personal information in an email.
- » If you find that employment earnings have been reported to the Social Security Administration as a result of employment fraud, call or visit your local Social Security office to request removal of the earnings.

Consider these Investigator tips to reduce your risk of falling victim to this type of identity theft:

1. **Beware of tax preparer fraud.** Reduce your chance of becoming a victim of identity theft by choosing your tax preparer carefully. Read [Eight Tips to Help You Choose a Tax Preparer](#) from the IRS.



2. **Beware of phishing schemes.** To avoid what has become an increasingly common method of tax-related identity theft, taxpayers must remember one simple fact: the IRS never contacts taxpayers by email or phone to request sensitive personal information.
3. **Be cautious when receiving your refund.** When waiting for your tax refund, promptly remove mail from your mailbox after delivery. The longer your mail sits in an unsecured mailbox, the greater your chances of it falling into the wrong hands. Consider having the IRS deposit your tax refund directly into your bank account, further minimizing the risk of theft.
4. **Keep a record of your tax returns only as long as necessary.** After all, thieves can't steal what you don't have. Whenever possible, purge and shred any records or paperwork once the need for them has expired. Suggested guidelines for individual recordkeeping are available through the IRS.

Take precautions when filing your tax returns.

- » When e-Filing, obtain a list of all authorized e-file providers registered with the IRS to be sure you are using a credible service provider.
- » Avoid sending data over a wireless network. If not properly secured, data can easily be intercepted by an uninvited party.
- » Never prepare or submit tax returns on public computers, which may contain malicious software, such as "keylogger" spyware that is used to record every keystroke.
- » When mailing your return via USPS, do not put your completed return in an unlocked mailbox for pickup. The "pickup" might be made by a thief. Take the tax return directly to the post office.