IRS Criminal Investigation Targets Identity Theft Refund Fraud

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The IRS has seen a significant increase in refund fraud that involves identity thieves who file false claims for refunds by stealing and using someone's Social Security number. The investigative work done by Criminal Investigation (CI) is a major component of the Internal Revenue Service's efforts to combat tax-related identity theft.

Statistical Data

In Fiscal Year 2012, the IRS initiated approximately 900 identity theft related criminal investigations, tripling the number of investigations initiated in FY 2011. Direct investigative time applied to identity theft related investigations increased by 129 percent over that same period. Prosecution recommendations, indictments, and those convicted and sentenced for identity theft violations have increased dramatically since Fiscal Year 2010. Sentences handed down for convictions relating to identity theft have been significant, ranging from 4 months to 300 months.

	FY2013 As of Jan. 31	**FY 2012**	**FY 2011**	**FY 2010**
Investigations Initiated	542	898	276	224
Prosecution Recommendations	441	544	218	147
Indictments/Informations	353	494	165	94
Sentenced	90	223	80	45

Enforcement Efforts

Criminal Investigation is committed to investigating and prosecuting identity thieves who attempt to defraud the United States Government by filing fraudulent refund claims using another person's identifying information.

The IRS continues to seek out and identify additional tools and methods to combat the proliferation of tax-related identity theft. For example:

- In collaboration with the Department of Justice, Tax Division (DOJ-Tax) and United States Attorney's Offices located throughout the United States, the IRS conducted highly successful coordinated identity theft enforcement actions during the month of January 2013. This nationwide effort targeted 389 people in 32 states and Puerto Rico, and included indictments, arrests, and the execution of search warrants involving the potential theft of thousands of identities.

- The IRS established the Identity Theft Clearinghouse (ITC), a specialized unit within CI dedicated solely to processing and tracking identity theft leads. The ITC's primary responsibility is to develop and refer identity theft schemes to CI field offices. In addition, ITC provides coordination and administrative and investigative support to ongoing criminal investigations involving identity theft.
- Working to assist state and local law enforcement agencies in their efforts to fight identity theft-related refund fraud, CI developed the Identity Theft Victim Disclosure Waiver Process. The program provides for the disclosure of federal tax returns and return information associated with the accounts of known and suspected victims of identity theft with the express written consent of those victims. Prior to disclosing any tax information, victims are required to sign a waiver authorizing the release of information to the designated state or local law enforcement official pursuing the investigation. The program is currently operational in nine states: Florida, Alabama, California, Georgia, New Jersey, New York, Oklahoma, Pennsylvania and Texas. CI expects to expand this initiative to include other states and jurisdictions.
- The IRS expanded the scope of chargeable criminal violations to better combat identity theft related crimes. Additional charges include forging endorsements on Treasury checks; theft of public money; fraud in connection with access devices; mail fraud; and wire fraud.
- In collaboration with DOJ-Tax, Directive 144, Stolen Identity Refund Fraud (SIRF) was issued, providing federal law enforcement officials with the ability to timely address a subset of identity theft cases. This directive specifically focuses on identity theft in the context of fraudulent tax refunds and provides for a streamlined investigation and prosecution process.
- Criminal Investigation participates in the Department of Justice's Identity Theft Interagency Working Group.
- CI held an Identity Theft Summit Jan.17, 2013, where 14 partner law enforcement agencies collaborated with CI in an effort to address identity theft related investigative challenges and priorities.
- CI special agents throughout the country are active members on over 35 multi-agency law enforcement task forces and working groups. The combined law enforcement efforts include federal, state, and local law enforcement.

The following are highlights from significant identity-theft cases. All details are based on court documents.

Memphis Woman Sentenced on Tax Fraud Charges
On Dec. 21, 2012, in Memphis, Tenn., Aundria Bryant-Branch was sentenced to 262 months in prison, three years supervised release, and ordered to pay $690,399 in restitution to the Internal Revenue Service (IRS). According to the indictment, Bryant-Branch orchestrated a tax refund scheme beginning in or about 2006 and continuing until approximately June 10, 2008. Bryant-Branch obtained stolen identification information and a stolen "Warrant Book" from the Memphis Police Department. This book listed individuals with outstanding arrest warrants. Bryant-Branch would give the stolen identification information to others, who then used it to

prepare and electronically file false tax returns with the IRS claiming refunds without the taxpayer's knowledge. These fraudulent returns generated either refund checks from the IRS or Refund Anticipation Loan (RAL) checks from the Bank and Trust of Santa Barbara.

Barbados National Sentenced for Using Stolen Identities to File False Claims for Tax Refund
On Nov. 7, 2012, Chicago, Ill., Andrew J. Watts, a Barbados national, was sentenced to 114 months in prison and ordered to pay $1.7 million in restitution. Watts pleaded guilty on July 10, 2012, to one count of mail fraud and one count of aggravated identity theft. According to court documents, between 2007 and 2011, Watts filed false federal income tax returns in the names of deceased taxpayers seeking fraudulent refunds. Watts either signed the name of the deceased taxpayer to the tax return or would falsely list himself as the deceased taxpayer's representative. As part of the scheme, Watts filed over 470 false federal income tax returns, claiming fraudulent refunds in excess of $120 million. Watts directed the IRS to either mail the refund checks to an address he controlled or to electronically deposit the refund into a bank account under his control.

North Carolina Men Sentenced in Identity Theft Scheme
On Oct. 1, 2012, in Raleigh, N.C., Jeffrey Glenn Toohey and Christopher Fleming were sentenced to prison for their roles in an identity theft scheme. Toohey was sentenced to 125 months in prison, five years of supervised release, and ordered to pay a $600 special assessment and $261,354 in restitution. Fleming was sentenced to 30 months in prison, three years of supervised release, and ordered to pay a $300 special assessment and $204,799 in restitution. According to court documents, Toohey fraudulently opened credit card accounts using stolen identities and purchased items using the fraudulent accounts. Further in October 2010, Toohey and Fleming broke into a tax preparation office, stealing over 300 files containing personal information of tax clients. Toohey then filed 2010 tax returns in the names of the clients and directed the tax refunds to either debit cards, which were mailed to addresses which Toohey and Fleming knew, were vacant, or to bank accounts that were opened, using fraudulent and unauthorized information. When the tax refund proceeds were received, Toohey and Fleming used the funds to purchase various items.

The latest information on Identity Theft enforcement efforts and individual cases are available on IRS.gov.

Related Item: Identity Theft Enforcement Actions January 2013