



Robert W. Wood

THE TAX LAWYER

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TurboTax, Fraud & Identity Theft Spare IRS & H&R Block

Tax filing season arrived with a bang and an uptick in fears about fraud. For many of us, tax seasons starts with collecting W-2s and 1099s. If you are [missing a Form 1099, you shouldn't ask for it](#), but do make sure the 1099s you receive are [correct!](#) Perhaps you must also wait for K-1s to dribble in. Then there are all those worrisome judgment calls about whether your [new swimming pool is deductible](#), plus other things you worry might be too aggressive.

For the IRS and state tax agencies, however, it also means preventing fraud. Given that virtually everything is electronic these days, that has become a massive issue. On February 5, Minnesota [announced](#) it would stop (at least temporarily) accepting returns submitted by TurboTax, one of the most popular individual return preparation programs. This came after reports of taxpayers who logged in to submit their state tax returns only to learn that someone had stolen their identities!

Utah also [detected](#) potentially fraudulent activity, and a number of other States have also raised concerns. In response, Turbotax [temporarily suspended](#) all State filings while it checked its systems. The upheaval was major, though IRS filings were mercifully unaffected. [H&R Block](#) was able to one-up TurboTax by affirmatively stating that it was not impacted by all of this. And now, after all the drama, TurboTax is back in the saddle, [resuming the processing of state tax returns, but adding security](#).



The IRS and the states have sophisticated software systems to detect and prevent identity theft. Still, no system is perfect. The IRS has an entire suite of [resources](#) available to taxpayer who think they have been victims of identity theft, including a hotline to call. Various states have similar resources. If you think you have been the victim of identity theft, act promptly.

Of course, identity theft is just one of many types of fraud that taxing agencies must monitor closely and guard against. Common items, like the earned income tax credit, are often flagged as potentially fraudulent by automated systems. Still, the government's record with prevent such fraud isn't stellar.

More basically, IRS systems work by matching information the government receives (they get the same information you see on your W-2s and 1099s) with the information you self-report. If something does not match, they can flag it for review leading to an audit.

Making sure you report everything correctly—and they do mean [everything](#)—is the best way to keep your nose clean. It is one reason seemingly innocuous slips of paper like 1099s are so important to the IRS. Similarly, think carefully about how well you can document deductions, credits and other items.

Everyone makes mistakes, of course. Taxes are complex. This year, we have the hassle of additional [Obamacare tax filings, which is causing some backlash](#). But no matter how frustrated

you may be about taxes, the last conversation you want to have with the IRS is about fraud or evasion. In fact, if you find yourself in that situation, [Better Call Saul](#).

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