Criminal Investigation

Refund Crimes

Kay B. Jernigan
Supvr Criminal Investigator
IRS Criminal Investigation
Refund Crimes

Criminal Investigation

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.

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Internal Revenue Service Criminal Investigation 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

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Refund Crimes

- Overview of Refund Fraud
  - Return Preparer Program
  - Questionable Refund Program
  - Identity Theft
- Information Security The Evolving Threat
  - Data Breaches
  - EFINS/PTINS

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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.

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Criminal Violations

- Title 26 USC Section 7206(2) Aiding in the Preparation of a False Return
- 18 USC 286 – Conspiracy to File False Claims (Tax-related charges)
- 18 USC 287 – Filing False Claims (Tax-related charges)
- 18 USC 1028 – Identity Theft
- 18 USC 641 - Theft of Government Funds
- 18 USC 510 – Treasury Check Charge
- 18 USC 1029 – Access Device Fraud
- 18 USC 1708 – Mail Theft

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Refund Fraud Programs

- **Return Preparer Program (RPP)** schemes consist of Abusive Return Preparers that prepare false income tax returns frequently for large numbers of taxpayers.
- **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 Earned Income Tax Credit. These are generally not legitimate taxpayers and returns are filed for the sole purpose of defrauding the government. *(Includes Identity Theft tax refund fraud)*

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Return Preparer Fraud

- **Return Preparer Fraud generally involves the orchestrated preparation and filing of false income tax returns (in either paper or electronic form) by unscrupulous preparers who may claim, for example:**
  - **inflated personal or business expenses,**
  - **false deductions, or**
  - **unallowable credits or excessive exemptions, fraudulent tax credits, such as the Earned Income Tax Credit (EITC).**
- **The preparers' clients may or may not have knowledge of the false expenses, deductions, exemptions and/or credits shown on their tax returns.**

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Delaware Woman Sentenced in Million Dollar Tax Scheme

- August 2014- A Claymont woman will spend time in prison for a tax fraud and identity theft scheme.
- 36-year-old Dawn Chamberlain was accused of preparing 450 false and fraudulent individual federal income tax returns for clients in Delaware and other locations. Prosecutors say Chamberlain pocketed over three-years worth of false tax credit filings from unsuspecting clients, from 2009 through 2012.
- Chamberlain stole $1.5 million from the U.S. Department of Treasury and another $200,000 from New York tax refunds.
- In addition to prison time, Chamberlain is forced to pay back full restitution.

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Return Preparer Program (RPP) Statistics

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Investigations Initiated	224	397	371	443	309	305
Prosecution Recommendations	129	202	233	276	281	261
Indictments/ Informations	149	182	176	202	233	230
Convictions	115	145	163	178	207	193
Sentenced	136	132	163	172	186	183
Incarceration Rate	85.3%	88.6%	87.1%	84.3%	78.0%	86.3%
Avg. Months to Serve	24	24	25	29	27	28

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Warnings: Possible Fraud

- Income not sufficient to cover claimed expenses
- Claiming false dependents
  - Bought or sold a dependent's identity
- Inflating deductions (Itemized Deductions) including charitable contributions, medical or dental expenses
- Claiming tax credits using false income/expense
- Creating false business expenses in order to offset other income

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Questionable Refund Program

- **Perpetrators of QRP Schemes include:**
  - **Individuals who file false tax returns using the SSN of another individual with the understanding that the individual will receive a portion of the false refund as payment for use of their SSN.**
  - **Individuals using names and SSNs of unsuspecting, legitimate taxpayers and filing tax returns using false information. This false information may be in the form of fake, stolen, or altered income source documents (Forms W-2, 1099, Schedule C). Also the perpetrator can capture a legitimate tax return and redirects the refund by changing the bank account information on the return.**
  - **Individuals using fictitious names and SSNs and filing tax returns using false information.**

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Questionable Refund Program (QRP) Statistics

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Investigations Initiated	418	504	578	921	1513	1028
Prosecution Recommendations	193	301	404	574	1267	969
Indictments/Informations	162	196	288	507	1056	928
Sentenced	156	130	180	316	746	843
Incarceration Rate	78.8%	83.8%	78.3%	85.5%	76.7%	85.5%
Avg. Months to Serve	22	28	24	35	35	37

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Tax Refund Identity Theft

- Occurs when someone uses your personal information without your permission to commit tax fraud.
- In the context of tax crimes, Title 18 U.S.C Section 1028 may be applied when a defendant steals another person's identity for the purpose of falsely representing their identity to the IRS.

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Identity Theft A Growing Problem

- Since 2010 IRS has seen significant increases in Tax Related ID Theft.
- Most notably Local Law Enforcement Officials in the State of Florida were uncovering numerous organized groups in 2011 and 2012.
- Tax ID Theft was so common that Law Enforcement regularly encountered refund checks, pre-paid cards, and victim lists.

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Identity Theft A Growing Problem

- Identity theft has been the top consumer complaint to the FTC for 13 consecutive years
- Tax identity theft has been an increasing share of the Commission's identity theft complaints.
  - 2010 15%
  - 2011 24%
  - 2012 43%
  - 2013 30%

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Impacted Individuals

- Identity Theft can impact anyone
- Victims Frequently Targeted by Fraudsters:
  - Elderly-Deceased-Disabled
  - Institutionalized-Prisoners-Homeless
  - Individuals with no filing requirements
  - News Reporters
    - 2012 ABC Report

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IRS CI Response

- Increased Dedication of Resources
- Partnering with Other Agencies
- Centralized Identity Theft Center
- Law Enforcement Assistance Program
- Victim Lists
- Check Recoveries with USPIS
- Assist Civil Division with Detection Filters

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Identity Theft Statistics

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Subject Initiations	187	224	276	898	1492	1063
Prosecution Recs.	91	147	218	544	1257	970
Indictments	81	94	165	494	1050	896
Sentenced	30	45	80	223	438	748
Avg. Months to Serve	39	41	44	48	38	43

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Rashia Wilson Case Study

- Rashia Wilson "Queen of IRS Tax Fraud"
- NBC Media Report
  - News Report

  Rashia Wilson Indicted in October 2012 for being a felon in possession of a Firearm

  Rashia Wilson and Maurice J. Larry Indicted in December 2012 for ID Theft related charges

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Rashia Wilson Case Study

- Rashia Wilson and Maurice J. Larry Charges:
- 18 USC 371 Conspiracy to Commit Wire Fraud 4/09 to 9/19/12
- 18 USC 1343 Wire Fraud
- 18 USC 287 False Claims
- 18 USC 641 Theft of Government Property
- 18 USC 1028A Aggravated Identity Theft
- 18 USC Section 922(g)(1) Felon in Possession of a Firearm (Wilson Only)

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Rashia Wilson Case Study

- Rashia Wilson sentenced to 252
- Maurice J. Larry sentenced to 174 months
- Both ordered to pay restitution of $3,147,477.35 also agreed to a Forfeiture Order of $2,240,096.39
  - 2013 Audi A8l
  - Rashia Necklace
  - Assorted Jewelry

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RASHIA WILSON

facebook

"I'M RASHIA, THE QUEEN OF IRS TAX FRAUD"

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RASHIA WILSON

Tampa jury indicts self-described 'first lady' of tax fraud

+1 Recommend this on Google

By ELAINE SILVESTRINI | The Tampa Tribune

Apr 4, 2013, 7:00am EDT

$2.2M fraud plea in Tampa

Staff
Tampa Bay Business Journal

Tampa's Rashia Wilson has pleaded guilty to charges of wire fraud and aggravated identity theft, after being indicted for stealing millions from federal taxpayers and boasting about it online.

RASHIA WILSON
SEIZURES

2013 Audi

RASHIA WILSON
SEIZURES

RASHIA WILSON
SEIZURES

- **Louis Vuitton, Gucci and Prada designer handbags,**
- **Home electronics (80 Inch Sharp) $3,395 pair of Pigalle 100 suede pumps**

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Information Security The Evolving Threat

Data Breaches/Computer Thefts

Compromised EFINS/PTINS

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Vanyo Minkov

- **September 2013 Extradited From Bulgaria**
- **Charges involved filing bogus Tax Returns using hacked information and the sale of stolen payment card data.**
- **Linked to approximately $6 million in fraudulent tax claims**
- **Charges alleged that Minkov hacked into the networks of multiple accounting firms to steal 2011 year tax filings from the firms' clients, then using that information to file returns in their names the following year.**

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Atlanta Georgia Four defendants Charges in $2 million tax scheme

- **Aug. 28, 2014 -- Shannon Jay Bradley, 35; Shelronda Kay Bingham, 44; Shanese Machelle Lewis, 42; and Risha Michelle Hardin, 36, are each charged with identity fraud, computer theft, computer forgery, burglary, evidence tampering, money laundering, and racketeering.**
- **The indictment alleges that in December 2012, the four burglarized five tax-preparation offices in Cobb County. Also In 2013, they stole more than $2 million in Georgia tax refunds using the names and identifying information of 1,859 victims.**

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Steps to Take if you are the Victim of a Data Breach or Theft

- Contact your local IRS Stakeholder Liaison and Provide
  - Description of Information Lost
  - Provide EFINS and PTINS lost or compromised
- Report to Local Law Enforcement or State Agency (Often Required by State Law)
- Report to Federal Trade Commission
- Report to Credit Bureaus

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Steps to Take if your EFIN or PTIN is Compromised

- Contact your local IRS Stakeholder Liaison and Provide
  - Description of the Situation
  - Provide EFINS and PTINS lost or compromised

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Protecting Information

- Encrypt Files
- Secured Storage of IT and Printed Files
- Password Protect with Strong Passwords
- Do Not Open Suspicious E-mails
- Virus/Malware Protection Software for IT Equipment

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Questions?