

FRAUD ALERT

FEDERAL TAX REFUND FRAUD SCHEME

February 22, 2018

The Internal Revenue Service is alerting financial institutions to the proper handling of erroneous federal tax refunds resulting from an emerging fraud scheme that could affect thousands of people across the country.

Financial institutions using external leads process should include the reason the refund is being returned, i.e. refund is not the taxpayer's. More information is available at Publication 5033, IRS External Leads Program: Fact Sheet on Submitting Leads.

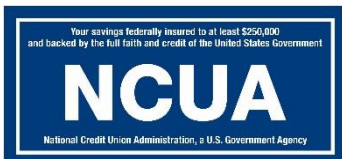
Just days into the start of the 2018 filing season, the IRS identified a new scam in which cybercriminals have stolen client data from tax professionals and filed fraudulent refunds using real taxpayer information, including bank account and routing information for Direct Deposit.

The fraudster then contacts the taxpayer posing as an employee of a debt collection agency working on behalf of the IRS. They ask the taxpayer to take certain steps to return the refund, but actually the refund goes to the criminals.

IRS guidance to taxpayers who are victims asks them to contact the Automated Clearing House (ACH) department of the bank/financial institution where the Direct Deposit was received and have them return the refund to the IRS. The IRS also asks the taxpayers to call the agency toll-free at (800) 829-1040 (individual) or (800) 829-4933 (business) to explain why the Direct Deposit is being returned.

There is more information for taxpayers at Tax Topic Number: 161 - Returning an Erroneous Refund.

This Fraud Alert is provided exclusively to members of ePayResources as a value-added benefit of membership.



A red, rectangular stamp with the words "FRAUD ALERT" in bold, white, uppercase letters. The stamp has a distressed, ink-like texture and is tilted slightly to the right.