

Identity Theft - Impacting Your Taxes?

Article by: Richard Chapo

If your identity is stolen, your finances can quickly become a nightmare. A less obvious problem is the effect identity theft can have on your taxes.

Identity Theft

Generally, thieves steal your personal data for the purpose of running up credit card charges or opening and abusing new accounts. A developing trend in the identity theft field concerns schemes impacting your taxes.

Selling Social Security Numbers

Identity thieves have created a new line of business – selling your social security number. Who would want to buy it? The list is surprising long, but undocumented workers, individuals with bad credit and people trying to obtain a new identity lead the list. This can create a huge problem for you since any income paid to those individuals is reported to the IRS as being paid to you. This results in the IRS having inflated income numbers and, often, audits when you “under report” your income.

With the creation of the Real ID Act, better known as the National ID Card, things will only get worse. Under the Act, all workers will be required to submit social security numbers to obtain jobs. With our leaky borders, there will be a high demand for your social security number.

False Tax Filings

It doesn't take much to file a tax return. What's to stop an identity thief from filing one under your name to generate a refund? Nothing. To generate the maximum refund, you can be all kinds of frivolous deductions will be claimed. After all, it will be you that has to attend the audit.

What Can I Do?

If you receive a notice from the IRS that leads you to believe someone may have used your Social Security Number fraudulently, you should notify the IRS immediately. Indicators can be found in notices from the IRS that state:

1. More than one tax return for you was filed, or
2. IRS records indicate you received wages from an employer unknown to you.

Don't hesitate or be nervous about contacting the IRS. The agency knows this is a growing problem and not an “opportunity” to pound on taxpayers.

Richard A. Chapo is with <http://www.businessstaxrecovery.com> - recovery of business taxes through tax help and tax relief. Visit <http://www.businessstaxrecovery.com/articles> to read more business tax articles.