

Statement of Detective Sal Augeri, Tampa Police Department
Before the Subcommittee on Fiscal Responsibility & Economic Growth
Senate Finance Committee

Hearing on Tax Fraud by Identity Theft

March 20, 2012

The IRS is facing a crisis of epic proportion. Criminals are stealing hundreds of millions of dollars from the hard-working Tampa tax payers. And I'm only aware of what's going on here in Tampa. It won't be easy, but it must be fixed. To ignore this problem is reckless and a major disservice to Americans.

When I first became a Tampa police officer 27-years ago, crack cocaine was just hitting the streets. Within two years, it was an epidemic touching just about everyone person in every community. The tax refund fraud scams mirrors the spread of crack cocaine here in Tampa.

In late 2010, members of the Tampa Police Department became aware of the gravity of the tax fraud issue in our community. There was an increase in reports of identity theft, as well as encounters with individuals and groups that were committing the tax fraud. Officers would conduct traffic stops and find individuals with various driver's licenses and identification cards in different names; large numbers of tax return debit cards and journals containing names and social security numbers. Officers were also finding groups of individuals in motel rooms filing fraudulent tax returns on stolen laptop computers. Most of our narcotics operations turned up evidence of tax fraud.

Although tax fraud is not a local issue, most of our citizens came to us for help. We in turn contacted the IRS and found out in quick order that they were of little assistance in these investigations. As you are aware, tax code prevents the IRS from sharing information with local law enforcement. In addition, we were advised that there was a \$100,000 investigation/prosecution threshold. Most of the cases we encountered were for \$9-\$10,000 fraudulent filings, even though there were plenty

of cases that reached this threshold and surpassed it, even reaching into the millions.

Originally, suspects obtained the names and social security numbers of deceased people from historical and genealogy web sites. When that information ran dry, they turned to individuals who worked in Assisted Living Facilities who would obtain necessary information on patients. Lists of names are now being sold by those having access to personal information in businesses, medical offices and schools.

In April of 2011 we learned that several agencies were trying to address the growing tax fraud issue. In an effort to make an impact, a task force was created that included the Secret Service, Postal Inspectors, Hillsborough County Sheriff's Office and the Tampa Police Department.

The issue of tax fraud was out of control by this time, estimated to be in the hundreds of millions of dollars in the Tampa Bay area alone. As a result we had to narrow our investigative efforts by focusing on a small group of individuals and businesses that were committing and profiting from tax fraud. The businesses targeted were cashing the fraudulent tax returns for, in some cases, as little as 20 cents on the dollar.

On September 1, 2011, "Operation Rainmaker" took place with the issuance of five Federal Search Warrants targeting businesses and suspects engaged in Tax Refund Fraud, Identity Theft and Credit Card Fraud. Several arrests were made at the state level for Identity Theft and Credit Card Fraud. There were 47 arrests made during this operation. Several cars were seized, including a Mercedes, Jaguar, BMW and a Bentley Rolls Royce. Despite all of those arrests and the compelling cases made, there have been no federal indictments to date. More disturbing is the fact that there is nothing to indicate that any of those arrested have slowed their tax fraud activities.

The inability to obtain tax information caused us to have to investigate the lesser offense of identity theft. In most instances this is a simple offense to investigate, but the lack of information sharing meant that locating the victim of identity theft was difficult if not impossible and required tedious and time consuming subpoena processes. In addition, we had to have video of the suspect actually using the fraudulent

identification. Each case required three to six months of investigating and none of the suspects were charged with the actual crime they committed; tax fraud. Only the IRS can levy this charge, which carries a more serious penalty than our state charges. Our local State Attorney's Office and the US Attorney's Office have assisted as much as possible.

Postal workers have been threatened concerning the delivery of fraudulent tax return checks, FedEx stopped delivering "Green Dot" tax return debit cards and citizens have been threatened to stay away from their mailboxes.

For the sake of time, I will highlight two examples that may illustrate the magnitude of this problem. We arrested an individual in September that we know committed at least 9 million dollars in tax fraud. This is the amount that we are aware of. To date he has not been indicted and we have no reason to believe he has stopped committing this crime. Another alarming example is a photograph of a room full of tax return debit cards that were seized by the Postal Service. I am talking about thousands of envelopes. These envelopes represented returns that the mail sorters could recognize as being fraudulent; multiple returns to the same address or returns going to abandoned houses. When showed this photograph, the IRS response was that the seizures made little difference, as a paper check was **automatically** sent if the debit cards were not cashed within 30 days.

A temporary benefit of tax fraud was an exaggerated reduction in crime in our city. We pride ourselves on making our city safe through continued crime reduction and have been very successful over the years. Since tax fraud was so simple, most criminals were getting involved. As a result we saw an exaggerated drop in crime for a short period of time. In the past few months we have seen a dramatic increase in violent crime aimed at those committing tax fraud scams. Home invasions and robberies of those believed to have large amounts of 'drop' or tax fraud money. We had a homicide some weeks back that is rumored to be the result of unpaid 'drop' money. Tax fraud is viewed as a very lucrative crime to commit; there is relatively little risk of being caught (based on difficulty of investigations), a seemingly

endless amount of available money and the crimes usually don't involve violence.

The tax return process was constructed for law-abiding citizens, with a focus on expedient returns. It is time to revamp this process with a degree of focus on fraud. IRS will tell you that they have filters and flags in place to detect fraud. I can assure you, through countless examples, they do not work.

In the first few weeks of this tax season we had four Tampa Police Officers who were victims of Tax Refund Fraud and Identity Theft. Officer David Curtis, who was killed in the line of duty in 2009, had his identity stolen shortly after his death. His wife, who was left with four young sons, had to navigate the onerous process of straightening out that mess.

In my humble opinion, this problem needs to be fixed at the point of filing. To allow the money to be distributed and then try and investigate is a losing proposition. The one issue we all agree upon is that we are not going to investigate our way out of this problem.

Those who commit these crimes readily explain what they are doing and how they do it, feeling that there is nothing wrong with taking the government's money. They see this as a victimless crime. Nothing could be further from the truth. Try to explain to the thousands of Americans who have gone through the nightmare of identity theft and the process of trying to right their financial life. Or try to explain to hardworking Americans that the hard earned dollars they send to support our government are being sent to criminals at an alarming rate.