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Wyden Statement at Finance Hearing on Protecting Americans from Tax Schemes and Scams
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Since the day the IRS opened its doors, scam artists have been hatching up slick new ways of stealing taxpayer dollars from the Treasury. What's new is, they're now stealing Americans' identities and personally threatening them on an industrial scale, while directly robbing them of their hard-earned money. The fraudsters dream up new tactics and milk them for all they're worth before they start getting caught. Then it's lather, rinse, repeat. Onto the next scam, always one step ahead of the law.

Today the committee will closely examine several of the fraudsters' latest strategies that are plaguing taxpayers. The one that's hitting my home state of Oregon hardest is the fake phone call demanding money or personal information on behalf of the IRS. In fact, these calls were the number one consumer complaint registered with the Oregon Department of Justice last year. Not everybody knows the IRS simply does not cold-call people making demands or threats. So it's pretty clear from my vantage point that there's a lot more work to be done taking on this scourge.

Given the sophistication of this criminal activity and the fact that a lot of it comes from overseas, this sure looks to me like an emerging type of organized crime. So the real question is, what's it going to take to root it out and put the bad actors on the sidelines? How about more prosecutions, stronger deterrents, or more cops on the beat? And what's the best way of getting the word out so that taxpayers aren't tricked into surrendering their life savings to some intimidating voice on the other end of the phone line?

But even if people manage to avoid the phone calls, you can bet the crooks are finding other ways to profit. Tax preparation software has become the scammer's new fast lane. These sharks manage to acquire a taxpayers' personal data from the black market or hack into commercial databases, and they file false returns electronically. The victims may not find out until much later in tax season, and by then it's too late. Already there have been thousands of reports like this in 2015. As we'll hear today, some software vendors aren't doing enough to help prevent fraud.

In my view, part of the challenge is getting states, Internet tax services, and the IRS on the same wavelength. Everybody's got to communicate and work together to make sure criminals can't just nimbly slide from one jurisdiction to the next, as they rip off more unsuspecting Americans.

Taxpayers may choose to avoid software, but not even a paid tax preparer is guaranteed to be safe. In fact, many of them don't have to meet any standards for competence. There are far too many con artists out there willing and able to prey on the people who come through their doors. In some egregious cases, they secretly falsify their victims' returns to boost the refunds, and they pocket the difference. And once tax season ends, the crooks disappear from the storefronts they occupied, leaving no trace of where they've gone.

A few states, including Oregon, have rules in place to help shield taxpayers from this kind of scam. But most states don't. Senator Cardin and I introduced the Taxpayer Protection and Preparer Proficiency Act at the beginning of this Congress to give all Americans the security they deserve. Our colleague Senator Nelson is also a leader on this issue of keeping taxpayers safe from identity theft and fraud. And I'm sure they share my desire to take on these challenges on a bipartisan basis.

There is no end to the ingenuity of tax scam artists. My hope this morning is that we'll get more fresh ideas for catching up to this wave of fraud and stopping it. That can't come soon enough. So I'm looking forward to talking with our witness panel here today, which I'm very happy to say includes Ms. Ellen Klem, the director of consumer outreach and education in the Oregon Attorney General's office. Thank you, Ms. Klem and all our witnesses, for being here during a time of year that's busy for all of you.

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