

**PREPARED STATEMENT OF
THE FEDERAL TRADE COMMISSION**

on

IRS Agent Impersonation Scam

Before the

SPECIAL COMMITTEE ON AGING

UNITED STATES SENATE

Washington, D.C.

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I. INTRODUCTION

Chairman Collins, Ranking Member McCaskill, and members of the Committee, I am Julie Brill, a Commissioner at the Federal Trade Commission (“FTC” or “Commission”).¹ I appreciate the opportunity to present the Commission’s testimony on Internal Revenue Service (“IRS”) impersonation scams and identity theft. Protecting consumers against identity theft and its consequences is a critical component of the Commission’s consumer protection mission.²

This testimony begins by describing the nature of identity theft generally and the Commission’s nationwide complaint management and education and outreach efforts on identity theft. It then describes the Commission’s work on IRS imposter scams and tax identity theft, including our recent efforts organizing Tax Identity Theft Awareness Week.

II. IDENTITY THEFT

Millions of consumers are victimized by identity thieves each year, collectively costing consumers and businesses billions of dollars and countless hours to repair the damage. As one example, the Bureau of Justice Statistics estimates that 16.6 million persons – or 7 percent of all U.S. residents ages 16 and older – were victims of identity theft in 2012.³ Given the serious and widespread harm caused by identity theft, the Commission has devoted significant resources toward combating the problem. Since 2001, the Commission has used its civil enforcement authority to take action and obtain settlements in more than 50 cases against businesses that it

¹ This written statement presents the views of the Federal Trade Commission. My oral statements and responses to questions are my own and do not necessarily reflect the views of the Commission or of any other Commissioner.

² See Identity Theft and Assumption Deterrence Act, Pub. L. 105-318, 112 Stat. 3007 (1998). Criminal prosecutions under the Act are handled by the United States Department of Justice. The Act directs the FTC, a civil law enforcement agency, to establish the federal government’s central repository for identity theft complaints and to provide victim assistance and consumer education. The repository of identity theft complaints, known as the “Identity Theft Clearinghouse,” is discussed in greater detail below in Section IIA.

³ See Bureau of Justice Statistics, *Victims of Identity Theft, 2012* (Dec. 2013), available at <http://www.bjs.gov/content/pub/pdf/vit12.pdf>.

charged with failing to provide reasonable and appropriate protections for consumers' personal information, or misrepresenting the protections they provide.⁴ The FTC has also acted aggressively on two other key fronts – nationwide complaint management and consumer education and business guidance, discussed below.

A. Nationwide Complaint Management

The Commission collects, manages, and analyzes identity theft complaints in order to target its education efforts and assist criminal law enforcement authorities. The Commission manages the Identity Theft Clearinghouse, a secure online database of identity theft-related complaints. Identity theft victims can enter complaint information directly into the database via an online complaint form or by calling a toll-free identity theft hotline and speaking with a trained counselor. The Commission makes the Clearinghouse data available to over 2,000 American and Canadian federal, state, and local law enforcement agencies who have signed confidentiality and data security agreements.⁵ Through the Clearinghouse, law enforcers can search identity theft complaints submitted by victims, law enforcement organizations, and the Identity Theft Assistance Center, a not-for-profit coalition of financial services companies. To assist law enforcement and policy makers, the FTC also routinely issues reports on the number and nature of identity theft complaints received by the FTC.⁶

⁴ See Commission Statement Marking the FTC's 50th Data Security Settlement, Jan. 31, 2014, *available at* <http://www.ftc.gov/system/files/documents/cases/140131gmrstatement.pdf>.

⁵ For example, 48 Offices of the Attorney General have access to the Clearinghouse data.

⁶ See, e.g., FTC, *Consumer Sentinel Network Data Book for January - December, 2014* (Feb. 2015) (hereinafter "2014 Data Book"), *available at* <https://www.ftc.gov/system/files/documents/reports/consumer-sentinel-network-data-book-january-december-2014/sentinel-cy2014-1.pdf>. The 2014 Data Book shows that over 330,000 consumers reported some form of identity theft, which represents 13% of the total number of complaints submitted to the Commission. This makes identity theft the most frequently reported category of consumer complaints (excluding do-not-call complaints), continuing a pattern that started over a decade ago.

B. Consumer Education and Business Guidance

Consumer education and outreach is another important part of the Commission's mission. The Commission works to empower consumers by providing them with the knowledge and tools to protect themselves from identity theft and to deal with the consequences when it does occur. The Commission receives on average 37,000 consumer contacts each week through its toll-free hotline and dedicated website, of which approximately 6,300 are identity theft complaints. Both callers to our hotline and consumers filing complaints online receive information on steps they can take to prevent or recover from identity theft.

Further, the FTC makes available a wide variety of consumer educational materials, including many in Spanish,⁷ to help consumers deter, detect, and defend against identity theft. For example, *Pass It On* is our newest education effort aimed at active older adults, people who are 65 and older.⁸ The *Pass It On* program is designed to train seniors to educate others about consumer protection issues. *Pass It On* reinforces what older adults already know about some of the scams in circulation. It gives them the tools to start the conversation, and it asks them to pass the information on. The topics include: imposter scams, identity theft, charity fraud, health care scams, paying too much, and "you've won" scams.

The FTC also publishes a victim recovery guide *Taking Charge: What To Do if Your Identity is Stolen*⁹ that explains the immediate steps identity theft victims should take to address the crime; how to obtain a free credit report and correct fraudulent information in credit reports; how to file a police report;¹⁰ and how to protect their personal information. The Commission has

⁷ Additionally, the FTC offers *Identity Theft: What to know, What to do*, in Chinese, Korean, Tagalog, and Vietnamese. See <https://bulkorder.ftc.gov/publications/identity-theft-what-know-what-do>.

⁸ See www.ftc.gov/passiton and www.ftc.gov/pasalo.

⁹ Available at <http://www.consumer.ftc.gov/articles/pdf-0009-taking-charge.pdf>.

¹⁰ The Fair Credit Reporting Act (FCRA) also provides identity theft victims with additional tools to

distributed more than 5.4 million copies of the recovery guide and has recorded more than 4.3 million visits to the Web version (both English and Spanish versions).

The Commission also sponsors OnGuard Online,¹¹ a website designed to educate consumers about computer security, including the importance of not disclosing personal information such as Social Security numbers (“SSNs”) to possible fraudulent operators. OnGuard Online was developed in partnership with other government agencies and technology companies. Visitors to the site can download educational games and videos, learn more about specific topics, including phishing and social networking, and obtain useful tips and information in an interactive format. OnGuard Online and its Spanish-language counterpart, Alerta en Línea,¹² average more than 2.2 million unique visits per year.

The Commission also agreed to participate in an innovative program with the AARP Foundation in 2012. As part of the program, the FTC refers for individual peer counseling consumers over the age of 60 who have called the FTC’s Consumer Response Center to complain that they have been victims of certain frauds, including lottery, prize promotion, and grandparent scams.¹³ Last year, the AARP Foundation peer counselors successfully communicated with more than 1,400 people referred by the FTC, providing one-on-one advice and guidance to consumers to help them avoid future fraud.¹⁴

recover from identity theft. For example, identity theft victims who provide police reports to a consumer reporting agency may obtain a seven-year fraud alert on their credit files, alerting potential users of their reports to exercise special vigilance in opening accounts in the consumers’ names. In addition, victims may block fraudulent information on their credit files, obtain from creditors the underlying documentation associated with transactions that may have been fraudulent, and prohibit creditors from reporting fraudulent information to the consumer reporting agencies. *See* FCRA, 15 U.S.C. §§ 605A, 605B, 609(e), and 611.

¹¹ *See* <http://www.onguardonline.gov>.

¹² *See* <http://www.alertaenlinea.gov>.

¹³ The FTC only refers consumers who have consented to being contacted by the AARP.

¹⁴ The consumers from whom the Foundation gathered data reported having lost more than \$15 million.

The Commission directs its outreach to businesses as well, encouraging them to secure consumers' information so that it does not fall into the hands of identity thieves in the first place. The FTC widely disseminates a business guide on data security¹⁵ and has developed both an online tutorial¹⁶ and a blog post¹⁷ based on the guide. These resources are designed to provide diverse businesses – and especially small businesses – with practical, concrete advice as they develop data security programs and plans for their companies. And, the Commission will soon provide more guidance for businesses as part of its *Start with Security* initiative, including hosting road shows and webinars as well as developing updated business guidance, to give companies practical advice about data security.

In addition, the FTC develops data security guidance for specific industries. For example, the FTC has developed specific guidance for mobile app developers as they create, release, and monitor their apps.¹⁸ The FTC also creates business educational materials on specific topics – such as the risks associated with peer-to-peer (“P2P”) file-sharing programs and companies' obligations to protect consumer and employee information from these risks.¹⁹ Further, the FTC recently released guidance about ways to provide data security for Internet of Things devices, which includes tips such as designing products with authentication in mind and

¹⁵ See *Protecting Personal Information: A Guide for Business*, available at <http://www.ftc.gov/tips-advice/business-center/protecting-personal-information-guide-business>.

¹⁶ See *Protecting Personal Information: A Guide for Business (Interactive Tutorial)*, available at <http://www.ftc.gov/news-events/audio-video/video/protecting-personal-information-guide-business-promotional-video>.

¹⁷ FTC Blog, *Time 2 Txt About Data Security Basics?*, Jan. 23, 2015, <http://www.ftc.gov/news-events/blogs/business-blog/2015/01/time-2-txt-about-data-security-basics>.

¹⁸ *Mobile App Developers: Start with Security* (Feb. 2013), available at <https://www.ftc.gov/tips-advice/business-center/guidance/mobile-app-developers-start-security>.

¹⁹ See *Peer-to-Peer File Sharing: A Guide for Business* (Jan. 2010), available at <http://business.ftc.gov/documents/bus46-peer-peer-file-sharing-guide-business>.

protecting the interfaces between devices connected to the Internet.²⁰

Further, the Commission leverages its resources by providing educational and training materials to “identity theft first responders” – the state and local law enforcement agencies who often are the first resources for victims.²¹ The Commission also distributes a law enforcement resource CD ROM that includes information about how to assist victims, how to partner with other law enforcement agencies, how to work with businesses, and how to access the Identity Theft Clearinghouse. In addition, the FTC and its partners have provided in-person identity theft training to over 6,000 law enforcement officers from over 2,000 agencies.

The FTC also has encouraged the development of a nationwide network of pro bono clinics to assist low-income identity theft victims. As part of this initiative, the FTC has created a comprehensive guide for advocates providing legal assistance to identity theft victims. The Guide for Assisting Identity Theft Victims (*Pro Bono Guide*)²² describes how advocates can intervene with creditors, credit reporting agencies, debt collectors, and others, and it provides self-help measures that victims can take to address their problems. Step-by-step instructions provide best practices for recovering from identity theft.

Finally, in response to the President’s Executive Order of October 17, 2014 on Improving the Security of Consumer Financial Transactions,²³ the FTC is developing and implementing a plan to make the recovery process for identity theft victims quicker and less burdensome. In the coming weeks, the FTC will unveil a new IdentityTheft.gov to provide streamlined information

²⁰ See *Careful Connections: Building Security in the Internet of Things* (Jan. 2015), available at <http://www.ftc.gov/system/files/documents/plain-language/pdf0199-carefulconnections-buildingsecurityinternetofthings.pdf>.

²¹ Resources for law enforcement are available at www.ftc.gov/idtheft.

²² The *Pro Bono Guide* is available at <http://www.consumer.ftc.gov/articles/pdf-0119-guide-assisting-identity-theft-victims.pdf>.

²³ Exec. Order No. 13681, 79 Fed. Reg. 63,489 (Oct. 17, 2014).

for identity theft victims and people whose information is stolen. In later phases, the Commission will enhance the online victim assistance process to help people take steps online to recover from identity theft more easily.

III. IRS IMPERSONATION SCHEMES AND TAX IDENTITY THEFT

The Commission has seen a drastic increase in two types of tax-related scams. The first are government imposter scams, in which scammers impersonate government officials and contact consumers, often seeking personal information or claiming that the consumers owe money. Whereas the Commission received only 65,000 government imposter scam complaints in 2013, that number increased to over 159,000 in 2014.²⁴

In particular, the FTC has seen a rise in IRS impostor scams, where scammers pretending to be IRS officials contact consumers, claiming they owe taxes. The FTC received over 52,000 IRS imposter scam complaints in 2014, and almost 22,000 during the first three months of 2015 alone. These fraudsters go to great lengths to deceive consumers, taking steps such as threatening arrest or deportation for failing to pay, demanding immediate payment via wire transfers or pre-paid debit cards, and sending bogus emails to further their scheme.

Of course, government imposter scams are not limited to the IRS; they affect all agencies – including the FTC. For example, the Commission recently filed a complaint alleging that First Time Credit Solution, Corp. deceived consumers by claiming to be affiliated with or licensed by the Commission, and falsely promising that they could remove negative information from consumers' credit reports and improve consumers' credit scores.²⁵ The court in this matter

²⁴ See 2014 Data Book, *supra* n.6, at 82 Appendix B3.

²⁵ *FTC v. First Time Credit Solution, Corp. et al.*, Federal Trade Commission, Plaintiff, v. First Time Credit Solution, Corp., No. CV15-01921-DDP-PJW (C.D. Cal. filed Mar. 16, 2015), *available at* <https://www.ftc.gov/enforcement/cases-proceedings/152-3114/first-time-credit-solution-corp-ftc-credit-solutions>.

issued a temporary restraining order that temporarily ceased operations and froze defendants' assets, and litigation is ongoing.

The FTC has aggressively pursued the perpetrators of other government imposter scams as well. For example, in a recent case involving a telemarketing scheme targeting senior citizens, the defendants allegedly called consumers and misrepresented that they were working on behalf of Medicare, claiming that they needed to verify consumers' identities using personal information that included their bank account numbers.²⁶ The defendants allegedly assured consumers that the information would not be used to debit their bank accounts, and that there was no charge for the new Medicare card or information about Medicare benefits. However, within a few weeks, consumers learned hundreds of dollars had been debited from their bank accounts. At the Commission's request, a federal court halted this scheme, and the FTC is currently litigating to permanently end the operation and return victims' money.

The Commission has also seen development of a second type of identity-theft related scam – so-called tax identity theft – which has been an increasing source of the Commission's identity theft complaints.²⁷ Tax identity theft typically begins when a thief files a fraudulent tax return using another individual's Social Security number and receives a refund electronically. Consumers typically discover they have been a victim of tax identity theft when they go to file their own tax return, only to be informed by the IRS that a return has already been filed in their name.

While identity theft is an equal opportunity crime affecting all age groups, tax identity

²⁶ See *FTC v. Sun Bright Ventures LLC et al.*, No. 8:14-cv-02153-JDW-EAJ (M.D. Fla. Sept. 4, 2014) (temporary restraining order), available at <https://www.ftc.gov/enforcement/cases-proceedings/132-3217/gmy-llc>.

²⁷ In 2014, tax- and wage-related fraud accounted for more than 32% of the identity theft complaints, making it the largest category of identity theft complaints by a substantial margin. See 2014 Data Book, *supra* n.6, at 12.

theft impacts older Americans in particular. First, older Americans often share their personal identifying information – including SSNs – with a wide range of family members and service providers, including lawyers, accountants, financial advisors, and health care professionals. At the same time, they often have a lifetime of accumulated assets that make them attractive targets to con artists and identity thieves. In addition, some older Americans facing health challenges, restricted mobility, or diminished mental capacity may be less likely to detect identity theft, failing to regularly check their mail, bank, credit card, and financial statements, or obtain and review credit reports.

To help address these challenges, the Commission has dedicated significant resources to educate consumers about IRS imposter scams and tax identity theft. For the last two years, the Commission has hosted Tax Identity Theft Awareness Week to raise awareness about tax identity theft and provide consumers with tips on how to protect themselves, and what to do if they become victims.²⁸ This year, the FTC partnered with AARP and the Treasury Inspector General for Tax Administration (TIGTA) to focus on IRS imposter scams in particular, hosting webinars, town halls, and twitter chats.²⁹ Commission staff also developed blogs to provide data security guidance for tax preparers³⁰ and human resource professionals,³¹ as well as consumer blogs about IRS imposter scams, resources such as infographics, and engagement with traditional

²⁸ See <http://www.consumer.ftc.gov/features/feature-0029-tax-identity-theft-awareness-week>.

²⁹ These efforts included hosting a national webinar with TIGTA with over 300 participants, a tele-town hall in Florida with the AARP with over 4,000 participants; and a Twitter chat that yielded over 6 million impressions.

³⁰ See FTC Blog, *Tax ID Theft Awareness: Tips for Tax Preparers Bear (P)repeating*, Jan. 15, 2015, <http://www.ftc.gov/news-events/blogs/business-blog/2015/01/tax-id-theft-awareness-tips-tax-preparers-bear-prepeating>.

³¹ See, e.g., FTC Blog, *HR Professionals: Deter Tax ID Theft with an Open-Door (but Closed-Drawer) Policy*, Jan. 27, 2015, <http://www.ftc.gov/news-events/blogs/business-blog/2015/01/hr-professionals-deter-tax-id-theft-open-door-closed-drawer>.

and social media.³² Last year, the Commission partnered with the IRS and AARP to focus on the top ten states for tax identity theft, hosting events in each state.³³ Finally, the FTC has developed consumer guidance on both identifying and dealing with tax-related identity theft.³⁴

The FTC has also focused specifically on the impacts of tax identity theft on older Americans. For example, in 2013 Commission staff held a forum to address identity theft affecting older Americans.³⁵ In addition to exploring medical and long-term care identity theft, the event also focused on tax and government benefits identity theft impacting older Americans. Panelists addressed issues including: (1) delivery of educational messages to older Americans; (2) selection of reputable tax preparers; (3) identity theft awareness among tax professionals; and (4) misuse of prepaid and reloadable debit cards. And, as part of its *Pass It On* campaign discussed above, the Commission has developed educational materials for older adults on identity theft and imposter scams.³⁶

IV. CONCLUSION

The Commission will continue to play a central role in the battle against IRS imposter scams and identity theft, and looks forward to working with the Committee on this important issue.

³² See, e.g., FTC Blog, *My Very Own IRS Imposter Call*, Feb. 3, 2015, <https://www.ftc.gov/news-events/blogs/external/my-very-own-irs-imposter-call-0>; FTC Blog, *3 Ways to Use Tax Identity Theft Awareness Week to Help People in your Life*, Jan. 26, 2015, <http://www.consumer.ftc.gov/blog/3-ways-use-tax-identity-theft-awareness-week-help-people-your-life>; FTC, *IRS Imposter Scams Infographic* (Jan. 2015), available at <http://www.consumer.ftc.gov/articles/0519-irs-imposter-scams-infographic>.

³³ FTC Press Release, *FTC Announces National Tax Identity Theft Awareness Week, Jan. 13-17, 2014* (Nov. 25, 2013), available at <https://www.ftc.gov/news-events/press-releases/2013/11/ftc-announces-national-tax-identity-theft-awareness-week-jan-13>.

³⁴ See *Tax-Related Identity Theft*, available at <http://www.consumer.ftc.gov/articles/0008-tax-related-identity-theft>.

³⁵ See FTC Forum, *Senior Identity Theft: A Problem in this Day and Age* (May 7, 2013), available at www.ftc.gov/bcp/workshops/senior-identity-theft.

³⁶ See *supra* n.8.