



January 20, 2015

Identity Protection Personal Identification Numbers

DIGITAL & TECHNOLOGY, TAX

BY SCHNEIDER DOWNS PROFESSIONAL

One of the fastest-growing crimes in America is identity theft. A stolen identity can easily be used to cover the tracks of many criminals as they fraudulently steal tax refunds. Fortunately, the Internal Revenue Service took a proactive stance to prevent identity theft by creating a pilot program to issue Identity Protection Personal Identification Numbers ("IP PIN").

Initiated in 2011, the program aims to prevent the misuse of Social Security numbers on fraudulent federal income tax returns. An IP PIN is not a replacement for a taxpayer's Social Security number. The IP PIN is a tool used by the Internal Revenue service to validate the identity of a taxpayer.

There are three situations in which a taxpayer is eligible to receive an IP PIN. Taxpayers who 1) receive an IP PIN in a prior year, 2) receive a CP01A or CP01F notice, or 3) file a tax return as a resident of Florida, Georgia, or Washington D.C. are eligible for an IP PIN. CP01A and CP01F notices are generally issued when the Internal Revenue Service receives notice that a taxpayer experienced an incident exposing him or her to identity theft, or the taxpayer was previously a victim of identity theft.

Eligible taxpayers must verify their identity using the online IP PIN system. Taxpayers unable to verify their identity will not receive an IP PIN. Participation in this program is entirely voluntary. However, taxpayers who choose to receive an IP PIN cannot opt out of the program. An IP PIN must be used to confirm the taxpayer's identity on all federal returns filed in the current tax year and in subsequent tax years. Each December, the Internal Revenue Service will issue taxpayers participating in the program a new IP PIN by postal mail. Failure to use an assigned IP PIN could result in a rejected or delayed tax return.

The IP PIN program is a great tool for taxpayers who are victims of identity theft. Taxpayers who have been a victim of identity theft should take proactive steps to ensure their federal return is not compromised. Eligible taxpayers should contact their tax advisor to determine if they should participate in the IP PIN program.

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