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Press_Office@finance-rep.senate.gov

Statement of Senator Charles E. Grassley
Hearing, “Identity Theft: Who’s Got Your Number?”
Thursday, April 10, 2008

Most Americans look forward to each year’s tax filing season with mixed feelings of trepidation and anticipation. Will they owe more taxes or will they get a refund? But, for a growing number of taxpayers, tax filing season has become the source of another fear – that of becoming a victim of identity theft. In recent years, the number of taxpayers who discover someone has used their name and Social Security number to illegally obtain a job or file a fraudulent tax return has increased dramatically, although the lack of comprehensive data makes it impossible to know the exact number.

But, there is no doubt identity theft is a growing problem. In my role as a member of the Judiciary Committee, I have supported efforts to increase penalties for those who commit this crime. However, as our witnesses today will explain, much more needs to be done to deter would-be thieves and protect potential victims. Despite ongoing efforts to modernize its computers, the IRS remains vulnerable to outside hackers and rogue employees who seek to improperly access taxpayer data. Preventing unauthorized access to IRS computers should be a top priority.

Another area that must be addressed is the illegal use of names and Social Security numbers by unauthorized workers. Congress attempted to address this issue last year in the immigration bill through an electronic employee verification system that allowed workers to block their SSN to prevent its illegal use. I have been working on similar legislation to allow every American to block their SSN and I hope to introduce it soon.

Finally, IRS should implement a knowledge-based identity verification system to protect taxpayers from fraudulent tax returns. For example, taxpayers are allowed to check on the status of their income tax refund by using the dollar amount of their refund as their password. Taxpayers may also use the self-select PIN option to file their return electronically by using their last year’s AGI as their password. The IRS should implement similar procedures to protect every taxpayer from fraudulent returns. Solving the problem of taxpayer-related identity theft will require a coordinated effort by both the IRS and the Congress. I look forward to working with the agency and my colleagues in the Senate to address this problem.