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Generations Fall 2021 - Protect Yourself From Tax-Related Identity Theft: The Identity Protection PIN Opt-In Program

Tax-related identity theft is a serious problem. The Internal Revenue Service (IRS) has joined forces with state tax agencies, software developers, financial institutions, tax professional organizations and other members of the tax community to form the Security Summit, which is tasked with combating tax-related identity theft. The Security Summit partners have urged tax professionals to review the signs of data theft to enable greater protection for clients.

The IP PIN Program

One way to prevent tax-related identity theft is to register for an Identity Protection PIN (IP PIN), which is a six-digit number that prevents someone else from using a taxpayer's Social Security number (SSN) or Individual Taxpayer Identification Number (ITIN) to file a tax return. The Security Summit partners called on tax professionals to inform clients about the Identity Protection PIN Opt-In Program. The program is voluntary and is a free and effective way for most taxpayers to protect themselves from tax-related identity theft.

IP PINs have long been used by the IRS to protect victims of tax-related identity theft. The IRS automatically mails a new IP PIN to confirmed victims of such identity theft each year. However, a taxpayer does not have to wait until he or she is a victim to take this protective step. Taxpayers can receive an IP PIN by using an online tool sponsored by the IRS called "Get an IP PIN" that includes a rigorous identity verification process. There are alternatives for taxpayers who are unable to validate their identity through the online tool, such as filing Form 15227 (EN-SP), Application for an Identity Protection Personal Identification Number.

An IP PIN is valid for one calendar year. The IRS plans to offer an opt-out feature in 2022, if taxpayers no longer wish to participate. Confirmed victims of identity theft, however, are not able to opt out. Once a taxpayer has an IP PIN, that number must be used to file federal tax returns during the year. A taxpayer should provide the IP PIN only to the tax professional preparing his or her returns or on the tax software product used to self-prepare returns. The IRS will never contact a taxpayer to ask for his or her IP PIN.

Taxpayers who are married and filing a joint return and who have IP PINs must enter those numbers on the tax return. If a taxpayer is claiming a dependent on the return and the dependent has an IP PIN, then that number must also be included on the return.

The online tool used to obtain new IP PINs will be available starting in January 2022. Due to the heightened security surrounding IP PINs, tax professionals cannot obtain IP PINs on behalf of their clients, but they can and should advise their clients of the opportunity to use this tool to protect themselves from tax-related identity theft.

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