



The Commissioner's Column

Partners in Fighting Tax Fraud

By Connecticut Department of Revenue Services
Commissioner Kevin Sullivan

Last tax season, the Connecticut Department of Revenue Services (DRS) stopped more than \$30 million in fraudulent state income tax refund claims. That's progress, but each year the challenge grows. Indeed, what was once a matter of invented identities now requires tax agencies and law enforcement to pierce stolen, real identity information. So too, the big business of illegal tobacco tax sales. It is all a growing, global illegal enterprise with tentacles in organized crime and terrorism.

More than ever, the DRS and CTCPA need to be strong partners in protecting taxpayers and fighting tax fraud. A similar partnership is also underway at the federal level among the IRS, state tax agencies, tax processors, tax preparers, and financial institutions.

At the DRS, we are stepping things up. Our resources, once dispersed across the agency, are being consolidated and beefed up in dedicated anti-fraud and criminal investigations units. We are providing much more guidance to taxpayers. We multiply screen refund claims using DRS data and third-party data. We do so in ways that are also dynamic so that we can keep up with the criminals who are constantly adapting in order to beat detection.

We will no longer be as hasty with refunds at the risk of seeing taxpayer money get to the thieves first. While electronic filing and direct deposit remain highly secure, there will be many more cases where suspicious filers will be converted to paper checks because it buys time for prevention. DRS will also be sure to provide timely information and assistance when taxpayers suspect and report fraud or where we suspect fraud.

On the tobacco tax front, the DRS has already conducted several major busts in just the past six months and

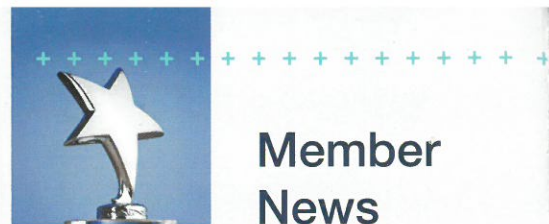
more are on the way. With penalties low and the mark-up high, trafficking in untaxed tobacco products is more attractive than ever. In just one recent enforcement action, we stopped an estimated \$60,000 a day in unstamped product coming into Connecticut for untaxed distribution and sale.

With respect to all tax fraud, we are also working more closely with federal, state, and local law enforcement while raising awareness among prosecutors and judges that tax fraud is serious crime.

There is so much that CTCPA and its members, as well as all others involved in tax preparation, can do as a first line of defense for taxpayers. Help clients understand how to protect their personal information by continuously updating online security, verifying email sources to avoid phishing, protecting passwords and never divulging social security numbers without clear assurances of necessity and security. Help them understand that phone calls or emails from the IRS or DRS, however threatening, are almost certainly not legitimate. And when a tax preparer or taxpayer suspects fraud, know that the DRS fraud hotline (855-842-1441) is there.

Professionally, CTCPA members can also help police with the unfortunate dark side of tax preparation. Taxpayers need to know how to distinguish between legitimate, qualified preparers and those who are not. Taxpayers also need to know how to avoid bad business practices. This includes preparers who ask taxpayers to sign forms in blank, have refunds paid to the preparer or debit cards, offer commercial promotions and tie-ins, or push high-interest refund anticipation loans.

When it comes to fighting tax fraud, we are all in this together.



Member News

Send your news to **Caitlin Bailey O'Neill** at caitlinb@ctcpas.org.

Professional Activities



John F. Ermer (above), a partner with Beers, Hamerman, Cohen & Burger, New Haven office, provided "An Overview of the Impact of State Taxes on Businesses" as part of a panel discussion sponsored by Barnum Financial Group, an office of MetLife and a part of the MetLife Premier Client Group, held at Gateway Community College in New Haven.

Honors and Awards

Marcum was named Associate of the Year by Associated Builders & Contractors of Connecticut (CT ABC). In addition, **Joseph Natarelli**, national leader of Marcum's construction industry group and partner-in-charge of the firm's New Haven office, was sworn in as a member of the CT ABC Board of Directors.

Ross Riskin, assistant professor of accounting and finance at Albertus Magnus College in New Haven, vice president of Riskin & Riskin in Orange, and managing member of Riskin Advisory in Orange, was honored with the AICPA Personal Financial Planning Standing Ovation award.

Members in the Media

Michael K. Brooder, partner-in-charge of Marcum's Hartford office, wrote "Raising capital just got a little easier" for the January 25 *Hartford Business Journal*.