

Six Steps to Protect Your Clients and Protect Yourself from Identity Theft



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IRS – Stakeholder Liaison

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Cost of Data Theft

Example: Connecticut tax preparer with 800 clients;
mostly individual with some business tax returns.

\$250,000 Total cost of data theft

\$100,000 Cyber theft insurance coverage

\$150,000 Out of pocket expenses



Data Theft Costs

Expenses generally incurred in a data breach

- Legal
- Information technology
- Personnel administrative / professional
- Credit monitoring
- State fines
- Loss of income as you lose customers
- Decreased value of tax practice due to smaller client base



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It *CAN* happen to you!

- Cybercriminals targeting tax professionals
 - January-May 2017 – 177 tax professionals reported data breaches
 - IRS receiving reports from 3 to 5 tax pros each week
- W2 Scams targets: businesses, schools, tribes
 - Poses as company executive, asks payroll employee for list of all employees W2s
 - 50 victims last year; 200 this year
 - Hundreds of thousands of new IDT victims



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1. Review Pub 4557

- Publication 4557, Safeguarding Taxpayer Data
 - Checklist to review current security practices
 - Identify your risks
 - Create a security plan
 - Review your plan annually



Publication 4557


Safeguarding Taxpayer Data

A GUIDE FOR YOUR BUSINESS

ONGOING	DONE	N/A	Computer Systems Security
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Identify and authenticate computer system users who require access to electronic taxpayer information systems before granting them access.
			You can manage user identities by:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	• Identifying authorized users of electronic taxpayer information systems and grant specific access rights/privileges.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	• Assigning each user a unique identifier.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	• Verifying the identity of each user.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	• Disabling user identifiers after an organization-defined time period of inactivity.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	• Archiving user identities.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Implement password management procedures that require strong passwords.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Require periodic password changes.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Disable and remove inactive user accounts.

2. Use Best Security Practices

- Learn to recognize and avoid phishing emails and phishing scams
- Use strong security software to protect against malware and viruses
- Use security functions on your tax prep software
- Encrypt taxpayer data
- Use strong, unique passwords



Data Theft Tactics

- Phishing emails, text or calls
 - Pose as trusted organizations
 - Embed links to fake websites
 - Use malware-infected attachments
- Risks of opening phishing scams
 - Account take-overs (Banks, IRS e-Services, Tax Software)
 - Computer breaches
- Educate employees on scams/risks



Emerging Scams

- Phishing emails posing as IRS e-Services
- Phishing emails posing as new clients
- Spoofing emails to payroll personnel requesting all employee Forms W-2
- Remote takeover of tax preparer computers
- Variations constantly emerge
- Know your clients; know your employees



-----Original Message-----

From: TaxPro_PTIN [<mailto:vze28hsz@verizon.net>]

Sent: Thursday, May 11, 2017 1:42 PM

Subject: PTIN/E-service Account Update

Dear TaxPro,

Your PTIN/E-Service account has been LOCKED due to invalid TaxPro e-filing details. All your previous/late filing tax returns will not be accepted or approved due to this error.

To validate and unlock your account follow the TaxPro Update link below and fill out all details correctly.

TaxPro Update <<https://elmundo-latino.com/ir/index.html>>

Note: Failure to follow this will, your account will be closed permanently.

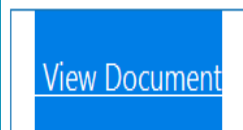
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Sent: Friday, May 26, 2017 8:31 AM

Subject: Fwd: Please see attached document for you

Please see attached documents

Click on the **view document** below and sign in to access the documents



Thank you!

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Protecting your client data

- Do you use software that allows you to access your work computer from a remote location? Like your home.
- Is that software password protected?
- Do you use a strong password? A strong password has a minimum of 12 alpha, numeric and special characters.
- Is your password timed out when it is repeatedly entered incorrectly?
- Is your remote access software restricted to the number of hours it is available during the day? For example from 7:00 a.m. to 11:00 p.m.

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Protecting your client data

- Use strong passwords. A strong password has a minimum of 12 alpha, numeric and special characters. Remember strong passwords have to be used by everyone who has access to your client data.
- Use layers of passwords. For example a strong password for your remote access software and a separate strong password for your tax software. In addition you should use strong passwords for other files containing client information stored on your hard drive.

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Protecting your client data

- Use password time out software; that is software that temporarily locks access to your computer when a password is repeatedly entered incorrectly.
- Use geographical IP or internet protocol filtering software to prevent hacking from outside the United States.
- Limit the number of hours your remote access software is available during the day. For example from 7:00 a.m. to 11:00 p.m.

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3. Lose data? Call IRS immediately

- Contact your local Stakeholder Liaison
 - www.irs.gov keyword search “stakeholder liaison” to find contact for your state
 - IRS may be able to help protect your clients if notified quickly
- Review “Data Loss Information for Tax Professionals” at IRS.gov/identitytheft for additional steps



Lose data? Business Related

- Report at dataloss@irs.gov
- Details at [IRS.gov/identitytheft](https://www.irs.gov/identitytheft)
 - Go to the business section
- Forward W-2 Scam e-mails to phishing@irs.gov
 - Enter “W-2 scam” in subject line



4. Maintain, monitor & protect EFIN

- Keep e-File Application up-to-date with names, addresses and phone numbers
- Monitor use of your EFIN weekly via your e-File application
 - Monitor PTIN filings as well from PTIN account
- Protect EFIN from theft; avoid e-Services scams
- NOTE: IRS only official source for EFINs



Protect your EFIN

- IRS reviewing improvements to EFIN safeguards
 - Stepped up efforts to expel EFIN abusers;
 - Increased on-site visits as part of monitoring process
- EFIN holders should review return numbers during filing season
 - e-Services Account updated weekly
 - Excessive numbers can be reported to e-Help Desk (866-255-0654)



Access e-Services

Subscriptions Language Information For...

Search Advanced

Filing Payments Refunds Credits & Deductions News & Events Forms & Pubs Help & Resources for Tax Pros

Tax Professionals

Tax Professionals

e-Services
Online tools for tax professionals
[Access e-Services](#)

Enrolled Agents
Enrolled Retirement Plan Agents

Latest News

Streamlined Processing of Installment Agreements
The IRS is testing expanded criteria for streamlined processing of taxpayer requests for installment agreements. The test is scheduled to run through September 30, 2017.

Important Update about Your e-Services Account
The IRS strengthens security for e-Services products, adds new identity authentication process to protect tax professionals, your clients and agency systems.

Protect Your Clients; Protect Yourself
The "Protect Your Clients; Protect Yourself" campaign identifies common sense steps tax professionals can take to guard against identity theft.

PTIN Open Season
Renew or register for 2017 by Dec. 31
[Renew or Sign-up Now](#)

[Contacts for Tax](#)



Click Login or Register



Subscriptions
Language
Information For...

Filing
Payments
Refunds
Credits & Deductions
News & Events
Forms & Pubs
Help & Resources
for Tax Pros



e-Login
PASSWORD

e-Services
Online tools for tax professionals

[Login or Register](#)

e-File Providers & Partners
Enrolled Actuaries
Enrolled Agents

e-Services - Online Tools for Tax Professionals

Note: e-services is compatible with IE6 to IE11 only

HOT TOPICS (update 10/14/2016):

Important information for e-Services users: The IRS is committed to protecting taxpayer and tax preparer information and maintaining the security of its systems. As part of that effort, the IRS is strengthening the identity validation process for certain self-help tools on IRS.gov -- including e-services. Please review details at [Important Update about Your e-Services Account](#).


SCAM ALERT: It has come to our attention that an email is being issued to tax preparers asking them to update their e-Services information. The links provided in the email to access e-Services appear to be a phishing scam to capture e-Services usernames and passwords. This email WAS NOT generated by e-Services. If you receive an e-mail like this, do not click on the links or take any other action. See the recent IRS [media release](#) for more details. If you receive an unsolicited email that appears to be from either the IRS or an organization closely linked to the IRS, such as the Electronic Federal Tax Payment System (EFTPS), report it by sending it to phishing@irs.gov.



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Enter Username & Password



e-services now supports up to IE11. March 3, 2016 - To obtain a Transmitter Control Code (TCC) for filing ACA Forms 1094/1095-B or C, select Application from the menu and select ACA Application for TCC.

Login

Username

Password

[Forgot Your Password?](#)

[LOGIN](#)

Register

You must register to create an account.

[REGISTER](#)

THIS U.S. GOVERNMENT SYSTEM IS FOR AUTHORIZED USE ONLY!
Use of this system constitutes consent to monitoring, interception, recording, reading, copying or capturing by authorized personnel of all activities. There is no right to privacy in this system. Unauthorized use of this system is prohibited and subject to criminal and civil penalties, including all penalties applicable to willful unauthorized access (UNAX) or inspection of taxpayer records (under 18 U.S.C. 1030 and 26 U.S.C. 7213A and 26 U.S.C. 7431).

NOTICE: The IRS reserves the right to deny access to any or all electronic services, products and/or applications, at both the individual or business entity level, in the event IRS becomes aware of any activity that constitutes or appears to constitute misuse or abuse of any electronic services, products or applications.

[e-Services Privacy Policy](#)

<http://www.irs.gov/>

Click on Application

The screenshot shows the IRS e-services website. The header includes the IRS logo and the text "Internal Revenue Service United States Department of the Treasury". Below the header is a navigation bar with links: "e-services", "On-line Tutorials", "Help", "Mailbox", "Sign out", and "Contact Us". On the left, under the "services" heading, there is a list of links: "Application", "Remove Affiliation", "Reporting Agent e-Selection", "Transcript Delivery System", and "Kingsborough Resources". A red arrow points to the "Application" link. To the right of the "Application" link, there is a "Welcome to IRS e-services" message with a red box containing the text "Your name and firm you are representing." Below the "Application" link, there is a description: "Access to apply or revise an existing application on-line for participation in IRS e-file Program or Taxpayer Identification Number (TIN) Matching." Below this description, there is a link for "Remove Affiliation" and a description: "Provides access to the Firm Disassociation page that will allow you to remove your affiliation to the e-file firm or organization you selected. Disassociating yourself from the e-file application will remove your name from each of the e-file applications shown and will eliminate all authority that resulted from your affiliation."

Click on e-file Application

The screenshot shows the IRS e-services website. The header includes the IRS logo and the text "Internal Revenue Service United States Department of the Treasury". Below the header is a navigation bar with links: "e-services", "On-line Tutorials", "Help", "Mailbox", "Sign out", and "Contact Us". On the left, under the "services" heading, there is a list of links: "Application", "Remove Affiliation", "Reporting Agent e-Selection", "Transcript Delivery System", and "Kingsborough Resources". A red arrow points to the "e-file Application" link. To the right of the "e-file Application" link, there is a description: "The Application to participate in the IRS e-file Program can be submitted on-line. The IRS will review your application information and supply a written confirmation as to your acceptance or rejection into the program. You may use this either to create a new Application or to revise an existing one." Below this description, there is a link for "ACA Application for TCC" and a description: "The application to participate in IRS Affordable Care Act electronic filing of information returns is available on-line. The IRS will review the information submitted on your application and send an acceptance or rejection letter. You may use this link to create a new application or to revise an existing one." Below this description, there is a link for "New TIN Matching Application" and a description: "Payers may apply for Taxpayer Identification Number (TIN) Matching, an on-line product which allows you to submit TIN/Name combinations for verification against IRS records."

Top of e-File Application Menu Page

Internal Revenue Service
United States Department of the Treasury

e-services On-line Tutorials Help Mailbox Sign out Contact Us

e-file Application

Name: **Your Firm** Employer Identification Number **55-5555555**
(EIN):

You are about to revise the application for your Firm/Organization. If your application has been submitted and been accepted by the IRS you may have to re-submit your application for review based on your revisions. Not all changes will require you to re-submit the application for review.

Select the area of the application you want to enter, revise or view information about:

[Add New Location](#)
[Firm Name & Business Type](#)
[Firm/Organization Address](#)
[Principal\(s\)](#)
[Responsible Official\(s\)](#)
[Application Contact\(s\)](#)
[Program\(s\) Applying For](#)
[Form\(s\)](#)
[ETIN Status](#)

Bottom of E-file Application Menu Page

[ETIN Status](#)
[Delegated User\(s\)](#)
[Application Status](#)
[Application Summary](#)
[Personal Information](#)
[Application Comments](#)
[Application Submission](#)
[Self Certification](#)

When you have finished e-file application Menu, you may do any of the following:

- Select *Previous* to go back to the ETIN Status page.
- Select *Save* to save all changes made.
- Select *Cancel* to exit the application.
- Select *Return to Search* to return to Search e-file Application.

[Previous](#) [Save](#) [Cancel](#) [Return to Search](#)

[e-services Privacy Policy](#)

Top of EFIN Status Page

Internal Revenue Service
United States Department of the Treasury

[e-file Application : EFIN Status](#)

Name: **Your Firm** Employer Identification Number (EIN): **55-555555**

Listed below are the EFIN(s) Electronic Filing Identification Number(s) and their statuses that have been assigned to this application.

EFIN	EFIN Status	Begin Date/Time
1 555555	Valid/Active	10/26/2012 4:09:27PM

Do you own or operate Web site(s) through which taxpayer information is collected, transmitted, stored, or processed? Yes ☐ No ☐

If you own or operate Web site(s) through which taxpayer information is collected, transmitted, stored, or processed you are required to register their URLs with us. If you own or operate any such Web site that you have not previously registered with us, select the URL Collection link on the Application Information page menu to register now.

IRS

Bottom of EFIN Status Page

Electronic Return Originator (ERO) Activity by EFIN/Return Type

The activity shown below by EFIN and Return Type represents the total YTD counts for returns submitted electronically to the IRS.

Customize | Find | View All | First 1-5 of 5 Last

	EFIN	Return/Form Type	Processing Year	Transmitted YTD	Accepted YTD	Rejected YTD
1		1040	2016	51	50	1
2		1041	2016	9	9	0
3	555555	1065	2016	12	12	0
4		1120	2016	10	10	0
5		1120S	2016	10	10	0

- Too many returns filed with your EFIN?
Contact e-Help Desk (866) 255-0654



Monitor Your PTIN for Suspicious Activity

- Monitor “Returns Filed per PTIN”
- Information available via online PTIN system for tax preparers who meet both of the following criteria:
 - Have a professional credential or are an Annual Filing Season Program participant, **and**
 - Have at least 50 Form 1040 series tax returns processed in the current year



How to Access PTIN Information

To access “Returns Filed Per PTIN” information, follow these steps:

1. Log into your PTIN account
2. From the Main Menu, find “Additional Activities”
3. Under Additional Activities, select “View Returns Filed Per PTIN”



Returns Filed per PTIN Chart

Returns Filed per PTIN

See the chart below for the number of tax returns with your PTIN processed by the IRS **this year**. The data is updated weekly and includes only Form 1040 series returns **processed** through the date specified.

If the number is **substantially higher** than the number of tax returns you've prepared and you suspect possible misuse of your PTIN, complete [Form 14157](#).

Note: A minimum of 50 returns must be processed for data to be shown. At this time the data is only available for enrolled agents, CPAs, attorneys, and participants in the IRS Annual Filing Season Program, but will be expanded to other PTIN holders in the future.

Definitions:

- Processing Year: the current calendar year
- Tax Year: the tax year of the returns
- 1040s Processed: includes **only** 1040 series returns (1040, 1040-PR, 1040-SS, 1040A, 1040EZ, 1040EZ-T, 1040NR, and 1040NR-EZ)

140 Returns as of 06/27/2016

Processing Year	Tax Year	1040s Processed
2016	2015	90
	2014	47
	2013	1



Report Misuse of your PTIN

- Number of returns processed is greater than the number of returns prepared = possible misuse of a PTIN
- Report misuse of PTINs:
 - Form 14157, *Complaint: Tax Return Preparer*



Report Misuse of your PTIN

11a. Review the complaints below and check all that apply

☐ **Theft of Refund** (Diverted refund to unknown account; return filed does not match taxpayer's copy)

☐ **E-File** (e-filed returns using pay stub, non-commercial software or Free File without properly securing taxpayer's signature)

☐ **Preparer Misconduct** (Failed to provide copy of return, return records, sign returns or remit payments for taxes due; misrepresentation of credentials; agreed to file return but did not; filed return without authorization or consent.)

☐ **PTIN Issues** (Failed to include Preparer Tax Identification Number (PTIN) on tax return; improperly used a PTIN belonging to another individual)


☐ **False Items/Documents** (False expenses, deductions, credits, exemptions or dependents; false or altered documents; false or overstated Form W-2 or 1099; incorrect filing status)

☐ **Employment Taxes** (Failed to file forms 940, 941, 943, or 945 or remit Employment Tax payment)

☒ **Other** (explain below)
I checked my PTIN return numbers from IRS.gov and there is a discrepancy


Section D - Your Information (do not complete if you are the taxpayer)
(We never share this information with the person or business you are reporting.)
 This information is not required to process your complaint but is helpful if we need to contact you for additional information.

18. Name (Last, First, MI)		19. Date of complaint
20. Mailing address (street, city, state, ZIP code)		21. Telephone number(s) (include area code)
		22. Email address
23. Your relationship to Preparer		
<input type="checkbox"/> Client <input type="checkbox"/> IRS employee <input checked="" type="checkbox"/> Other (specify) <u>Self</u>		
<input type="checkbox"/> Return preparer working for a different firm* <input type="checkbox"/> Return preparer working for the same firm*		



5. Educate Clients and Staff

- Ongoing education public education campaign: Taxes. Security. Together.
- Share Publication 4524, Security Awareness for Taxpayers, with clients
- Ensure all staff are aware of and maintain security protocols



6. Spread the Word on W2 Scam

- Poses as company executive, asks payroll employee for list of all employees W2s
 - 50 victims last year; 200 this year
 - Hundreds of thousands of new IDT victims
- Targets: businesses, public schools, universities, tribes
- Employer/victims should email dataloss@irs.gov and provide POC



Recap

1. Review Pub 4557 to create a security plan
2. Use best security practices at all times
3. Contact IRS immediately of data loss
4. Maintain, monitor and protect EFIN
5. Educate clients and staff
6. Warn employers about W2 scam

Bonus – stay in contact with IRS, via e-News for Tax Professionals, Quick Alerts and Social Media



Resources (Federal Trade Commission)

FTC/consumer or business.ftc.gov

- **Data Breach Response: A Guide for Business**
- **Start with Security: A Guide for Business (Lessons Learned from FTC Cases)**
- **Protecting Personal Information: A Guide for Business**

(FTC publications are free with free shipping)

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IRS Resources

- **Protect Your Clients; Protect Yourself**
www.irs.gov/individuals/protect-your-clients-protect-yourself
- **Data Theft Information for Tax Professionals**
www.irs.gov/individuals/data-theft-information-for-tax-professionals
- **IRS Security Awareness Tax Tips** www.irs.gov/uac/irs-security-awareness-tax-tips
- **FW-2/SSN Data Theft: Info. for Businesses & Payroll Service Providers**
www.irs.gov/individuals/form-w2-ssn-data-theft-information-for-businesses-and-payroll-service-providers

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IRS Resources

- Pub. 4524 Taxes.Security.Together.
- Pub. 4557 Safeguarding Taxpayer Data
- Pub. 4600 Safeguarding Taxpayer Information
- Pub. 5199 Tax Preparer Guide to Identity Theft
- Pub. 5027 Identity Theft Info. for Taxpayers
- Pub. 1345 Handbook for Authorized IRS e-file Providers (Security)

Recorded Webinar: Protect your clients; Protect yourself from data theft

<https://www.irsvideos.gov/ProtectYourClientsProtectYourselfFromDataTheft-Webinar20160807/>

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Search on IRS.gov: “Protect Your Clients; Protect Yourself”

Protect Your Clients; Protect Yourself

English | Español | Chinese Traditional | Korean | Russian | Vietnamese

Enrolled Agents

Annual Filing Season Program Participants

Enrolled Retirement Plan Agents

Certified Professional Employer Organizations (CPEO)

Enrolled Actuaries

E-File Providers

Modernized e-File

Every tax practitioner in the United States – whether a member of a major accounting firm or an owner of a one-person storefront – is a potential target for highly sophisticated, well-funded and technologically adept cybercriminals around the world. Their objective: to steal your clients' data so they can file fraudulent tax returns that better impersonate their victims. Their tactics: to trick you into giving up computer passwords, e-Services passwords, to steal your EFINs or CAF numbers or even to take remote control of your entire computer system.

No one can fight this crime alone. It takes all of us, working together. That is why the Security Summit – the unprecedented partnership between the IRS, state tax agencies, and the private-sector tax industry – came together to form a united and coordinated front against this common enemy. And, that's why the Summit partners are asking tax professionals nationwide to join this effort.

The Security Summit created the “Protect Your Clients, Protect Yourself” campaign to raise awareness among tax professionals about their legal obligation to protect taxpayer data as well as highlight security threats they face from identity thieves.



Security Summit

We all have a role.

[Learn more](#)



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