

## GEORGIA REFUNDS SUSPENDED FOR MANY

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On January 17, 2012, the Georgia Department of Revenue (DOR) released a short and somewhat vague announcement of its New Anti-Fraud Program. This program -- aimed at criminal activity -- will cause many taxpayers to complete an additional and inconvenient step in order to comply with their Georgia tax filing obligations this year. DOR personnel have said that 240,000 individual returns could be affected.

According to the announcement, DOR will “run each return through a process to ensure that the information provided on the return is accurate.” Returns that are flagged by this process will be suspended from further processing, and the taxpayer will be contacted with instructions to get in touch with the DOR, either via <https://gtc.dor.ga.gov> or by calling a dedicated phone number, to supply additional information. The additional information will take the form of an identity verification quiz to ensure the taxpayer’s identity before the state releases a tax refund claimed on the return.

In the most recent two years, the DOR has successfully blocked over \$148 million in fraudulent refunds. This success involved coordinated efforts of examiners, data processors, and special investigators within DOR. The New Anti-Fraud Program is an even a broader campaign. According to Commissioner Doug MacGinnitie, “Stopping fraud is a Department priority, and we will continue to take the steps necessary to protect taxpayers and taxpayer money.”

Taxpayers who have been victims of identity theft and tax fraud wouldn’t wish those experiences on anyone. If your return is rejected by DOR and it’s revealed that the rejection is because a return has already been filed under your Social Security number, you’re in for a big hassle. One of the highest profile cases recently involved Alabama prisoners filing Georgia returns using stolen identities and showing the same address on hundreds of returns.

**What returns are likely to be flagged?** The DOR will not disclose their filtering criteria, nor should they. CPAs have made some educated guesses which the DOR has not denied. For instance, addresses may be matched to existing databases to evaluate an inconsistency, such as a change from the prior year or the use of the same address by multiple filers and Social Security numbers. Other criteria may include inconsistent income, tax withholding, deductions, and credits, using benchmark profiles. The sensitivity of these criteria will directly affect both the program’s success and the threshold of customer tolerance.

**If flagged, how will taxpayers be contacted?** Generally, if you are subject to this program, you’ll be contacted by a letter sent to the address on your return. The letter from the DOR will instruct you to call a designated number or visit the Georgia Tax Center website and then to “take the identity verification quiz.” You will be asked to provide an identification code that is included on the upper right corner of the letter. From there, you will respond to three or four questions of a specific, personal nature.

**What's on the quiz?** You should expect some surprisingly revealing information. Questions have included the address of your former residence, a former spouse's name, the square footage of your home, and previous employers. The quiz and data are housed by a third party contractor for the DOR. Knowing this may not ease your surprise when you view this information through a state tax authority's website. If you pass the quiz, your return is immediately re-entered into the normal processing queue.

**What if you fail the quiz?** If you fail, you will be prompted to call the DOR special investigations department for follow-up. The DOR doubts that many identity impersonators will call.

**Will the program be a success?** The DOR will not announce a dollars blocked expectation for the new campaign, but it's reasonable to assume they want it to exceed the results of previous years. Taxpayers, on the other hand, could easily view the program in opposite ways. In the first few weeks, responses have varied from considering the measures a mild inconvenience to viewing them with shock and as government overreach.

**What can CPAs do?** As of this date, the DOR has not planned another press release. CPAs will need to communicate the program to their tax clients as a part of their service. CPAs will not be able to take the identity verification quiz on behalf of clients. The GSCPA Tax Section leadership is closely monitoring the program and will continue to voice appropriate concerns with DOR leadership.

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