

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



The IRS Continues to Improve the Detection and Prevention of Individual Identity Theft

May 13, 2026

Report Number: 2026-400-019

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

HIGHLIGHTS: The IRS Continues to Improve the Detection and Prevention of Individual Identity Theft

Final Audit Report issued on May 13, 2026

Report Number 2026-400-019

Why TIGTA Did This Audit

Individuals continue to be victims of tax-related identity theft, impacting their ability to file a tax return or receive a refund. Tax-related identity theft occurs when someone uses another individual's identifying information, most often a Social Security Number, to file a fraudulent tax return.

We assessed the IRS's service-wide revenue protection strategy for individual tax returns.

Impact on Tax Administration

The IRS's identity theft detection and prevention efforts protect the loss of billions of dollars in revenue each year. For Calendar Years 2024 and 2025 (as of November 2025), the IRS prevented \$7 billion in fraudulent refunds.

The IRS uses systemic filters and manual processes to evaluate individual tax returns for potential identity theft at the time tax returns are processed and before a refund is issued. These filters use characteristics of known and potential identity theft to screen tax returns. Tax returns selected by identity theft filters are generally not allowed to post to the taxpayer's account to prevent the refund from being issued until the IRS can authenticate the tax return.

In addition, the IRS partners with state tax agencies, financial services companies, and tax industry officials through the Information Security Analysis Center (ISAC) to share information on developing fraud schemes and methods to identify fraudulent tax returns. The IRS and its partners also share fraud leads and alerts in real-time.

What TIGTA Found

In Calendar Years 2024 and 2025, the IRS selected approximately 7.5 million tax returns through its identity theft filters. The IRS adjusts its identity theft filters to address emerging fraud schemes and risks. The IRS also reviews tax return selections and revises filters to minimize selections of legitimate tax returns and reduce burden on these taxpayers. For example, the IRS reduced selections of legitimate tax returns from 55 percent in Processing Year 2023 to 52 percent in PY 2024.

The IRS must balance its fraud detection efforts against the burden they may cause taxpayers. To lessen the burden on taxpayers, the IRS resolves and releases selected tax returns without contacting the taxpayer. For example, the IRS resolved 955,000 selections from the identity theft filters in Calendar Years 2024 and 2025 (as of November 2025) without issuing a notice to the impacted taxpayer. For PYs 2023 and 2024 tax returns that required taxpayer authentication, the IRS posted the tax returns within 13 days on average once the taxpayer authenticated.

The IRS continues to benefit from the ISAC partnerships. The IRS stopped \$9.2 million in refunds associated with confirmed identity theft returns and identified an additional \$49.3 million in refunds associated with potential identity theft returns because of external alerts received during Fiscal Year (FY) 2024. The IRS estimates that the ISAC program has contributed to almost \$277.7 million in protected revenue since its inception in 2017.

Like identity theft, the IRS has filters to detect other types of refund fraud. However, the IRS does not always have the information it needs to detect potential fraud patterns before refunds are issued. During the 2024 Filing Season, the IRS did not have information returns available at the time tax returns were filed for approximately:

- 15 million (75 percent) of the 20 million tax returns that reported Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance, Contracts, etc.* income. These returns claimed over \$46 billion in refunds.
- 1 million (77 percent) of the 1.3 million tax returns that reported Form W-2G, *Certain Gambling Winnings* income. These returns claimed \$3.6 billion in refunds.

The IRS estimates that it could potentially increase revenue protected by \$944 million for FYs 2025 through 2034 if the filing deadline for certain information returns was earlier.

What TIGTA Recommended

We recommended that the IRS Chief, Taxpayer Services, work with the Department of the Treasury Office of Tax Policy to request legislation that would accelerate the filing deadline for all information returns whose current deadline is March 31. The IRS agreed with our recommendation.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024

May 13, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Diana M. Tengesdal
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The IRS Continues to Improve the Detection and Prevention of Individual Identity Theft (Audit No.: 2024400007)

This report presents the results of our review to assess the Internal Revenue Service's (IRS) service-wide revenue protection strategy for individual tax returns. This review was part of our Fiscal Year 2025 Annual Audit Plan and addresses the major management and performance challenge of *Ensuring Tax Compliance*.

Management's complete response to the draft report is included as Appendix II. If you have any questions, please contact me or Deann L. Baiza, Assistant Inspector General for Audit (Returns Processing and Account Services).

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Background

Individuals continue to be victims of tax-related identity theft, impacting their ability to file a tax return, receive a refund, or take other associated actions. Tax-related identity theft occurs when someone uses an individual's identifying information without their permission or knowledge to file a fraudulent tax return. Individual tax-related identity theft is most often associated with the theft of a taxpayer's Social Security Number (SSN).¹

The Internal Revenue Service (IRS) uses systemic and manual processes to evaluate individual tax returns for potential identity theft at the time tax returns are processed and before a refund is issued. For the 2025 Filing Season, the IRS had 76 identity theft filters with varying criteria to select tax returns for potential identity theft. Refunds claimed on tax returns selected by identity theft filters are generally held until the IRS can authenticate the tax return. These filters use characteristics of known and potential identity theft to screen tax returns. Once identified, the IRS conducts additional data analysis to authenticate the taxpayer and the filed return. If data confirms the authenticity of the taxpayer and the associated return, the IRS releases the return for further processing without contacting the taxpayer.

If the IRS is unable to determine the legitimacy of the tax return, a letter is sent to the taxpayer with instructions on how to validate their identity and tax return information. The taxpayer must authenticate their information through one of the IRS's identity verification options. Taxpayers can authenticate their information through their IRS online account, over the phone with an IRS employee, in person at a Taxpayer Assistance Center, or through the mail. According to IRS management, most taxpayers authenticate online.

Once the taxpayer successfully authenticates, the IRS posts the tax return to the taxpayer's account, and a refund is issued if there are no other concerns. Authenticated tax returns are evaluated by other compliance processes and may further delay the issuance of a refund if concerns are identified. If a taxpayer cannot authenticate their identity or confirms the filed tax return as identity theft, the IRS removes the tax return from further processing and places an identity theft indicator on the taxpayer's account for future reference.

In addition to its internal detection and prevention processes, the IRS partners with external stakeholders through the Information Security Analysis Center (ISAC). The ISAC partners include state tax agencies, financial services companies, and tax industry officials. The ISAC partners share information on developing fraud schemes and methods to identify fraudulent tax returns. The IRS and its partners also share fraud leads and alerts in real-time.

Results of Review

The IRS's identity theft detection and prevention efforts protect the loss of billions of dollars in revenue each year. For Calendar Years 2024 and 2025 (as of November 2025), the IRS protected \$7 billion in fraudulent tax refunds. Figure 1 shows the amount of revenue the IRS protected related to identity theft fraud during Calendar Years 2024 and 2025. These figures represent the

¹ See Appendix II for a glossary of terms.

status of the IRS’s review of selected tax returns as of December 2024 and November 2025 respectively. The IRS continues to evaluate selected tax returns until a determination is made (i.e., confirmed identity theft).

Figure 1: The IRS Protected \$7 Billion in Revenue in Calendar Years 2024 and 2025

Calendar Year	Selected Tax Returns	Total Refund Amount Claimed	Tax Returns Confirmed Identity Theft	Total Revenue Protected
2024	4.4M	\$42.5B	185K	\$4.2B
2025	3.0M	\$39.6B	144K	\$2.8B
Totals	7.5M	\$82.1B	329K	\$7.0B

Source: IRS fraudulent tax return statistics as of December 26, 2024, and November 27, 2025. B = Billions, K = Thousands, and M = Millions. The totals may not add up due to rounding.

The IRS Continually Evaluates Identity Theft Filters to Improve Detection and Prevention

The IRS adjusts its identity theft filters, which are within the IRS’s fraud and detection systems and are used to select potentially fraudulent tax returns and route them as needed to address emerging fraud schemes and risks. The IRS also adjusts the thresholds (i.e., a minimum dollar amount the filters rely on) to improve its identity theft selections. In addition, the IRS has processes to review its tax return selections and revise filters to minimize selections of legitimate tax returns and reduce burden on these taxpayers.

For example, the IRS noticed an increase in the number of fraudulent and identity theft tax returns

[REDACTED] on tax returns.

The IRS changed its identity theft filters in Processing Year (PY) 2024 to address this increase in potential identity theft [REDACTED]. Previously, [REDACTED] it would have been excluded from some of the identity theft filters. After the filter criteria was updated, tax return selections for taxpayers with [REDACTED] increased by 237 percent. Specifically, the number of tax returns selected [REDACTED] increased from 78,000 in PY 2023 to 263,000 in PY 2024.

One unintended consequence of changing the identity filters is that they identify more legitimate tax returns as potential identity theft. For example, the percentage of legitimate tax returns selected [REDACTED] increased from 22 percent in PY 2023 to 50 percent in PY 2024.²

² This data is as of January and February 2025 for PY 2023 and PY 2024, respectively. The IRS continues to review selected returns and make determinations accordingly.

The IRS must balance its fraud detection efforts against the burden they may cause taxpayers

Historically, the percentage of legitimate tax returns selected by the identity theft filters is high. From PY 2018 through PY 2022, 59 percent of the returns selected were legitimate, on average, with selections ranging between 47 percent and 63 percent. However, the number of legitimate tax returns selected is a small percentage of the total tax returns filed. For example, in Calendar Year 2024, the identity theft filters selected 2.4 million legitimate tax returns. This represents 1.4 percent of the 163.5 million tax returns filed that year.

The IRS evaluates its overall identity theft filter selection rates and adjusts where possible to reduce the selection of legitimate tax returns. For example, the IRS reduced the selections of legitimate tax returns from 55 percent in PY 2023 to 52 percent in PY 2024. As previously mentioned, if a tax return is flagged as potential identity theft, the IRS 1) attempts to independently resolve selected tax returns without contacting the taxpayer, or 2) sends a letter to the taxpayer asking them to authenticate themselves.

- **Independent resolutions by the IRS** - To lessen the burden on taxpayers, the IRS attempts to independently verify the taxpayer's identity without contacting the taxpayer. The IRS was able to resolve 955,000 selections from the identity theft filters in Calendar Years 2024 and 2025 (as of November 2025) without issuing a notice to the impacted taxpayers.

Additionally, the IRS removes taxpayers from the selection process weekly using a post-selection analysis that determines if the tax return has a low probability of being identity theft. In this process, the IRS does not authenticate the taxpayer's identity but instead removes these returns from the selections. For example, according to the IRS, from PYs 2023 through 2025, it released almost 634,000 selected tax returns through this process.

- **Taxpayer authentication required** - The IRS reported issuing 3.7 million and 2.8 million authentication notices respectively in Calendar Years 2024 and 2025 (as of November 2025) to taxpayers who were selected by identity theft filters. For taxpayers who were required to authenticate during PYs 2023 and 2024, the IRS posted their returns within 13 days on average once the taxpayer authenticated. We did not assess the processes taxpayers use to authenticate themselves nor the time frame it takes for them to authenticate.

The Taxpayer Services Division explained that while requiring taxpayers to authenticate themselves can be burdensome, it is less so when compared to a taxpayer's experience if a fraudulent tax return posts to their tax account. Taxpayers who have a fraudulent tax return post to their tax account are referred to the Identity Theft Victim Assistance program. According to the Taxpayer Services Division, the Identity Theft Victim Assistance program currently takes about 18 months to resolve an identity theft victim case. We are conducting a separate review of the IRS's Identity Theft Victim Assistance program.

The IRS Continues to Benefit From the Information Security Analysis Center Partnerships

The ISAC maintains a portal that allows it to share real-time alerts about fraud schemes, including tax return information, with ISAC members so they can promptly act. As of August 2025, the IRS estimates that the ISAC program has contributed to almost \$277.7 million in protected revenue since its inception in 2017. In addition, as of the same period, the IRS reported receiving 312 alerts during Fiscal Year (FY) 2025. Of the 312 ISAC alerts received:

- 94 (30 percent) resulted in actionable items for the IRS, such as adjusting or creating new identity theft filters, or addressing concerns on specific accounts as necessary.
- 218 (70 percent) did not warrant further action.

In some cases, the IRS adjusts existing or implements new identity theft filters based on information received from ISAC alerts. For example, in June 2024, the IRS implemented new filters focused on tax preparers based on ISAC alerts received from a state agency. Additionally, the IRS updated three other identity theft filters that addressed the Sick and Family Leave Credit, Fuel Tax Credit, and high-income tax withholdings. During FY 2024, the ISAC alerts resulted in the IRS stopping \$9.2 million in refunds associated with confirmed identity theft returns. The alerts also resulted in the identification of an additional \$49.3 million in refunds associated with potential identity theft returns.³

The March 31 Submission Deadline for Some Information Returns Prevents the IRS From Identifying Other Potential Fraud Before Refunds Are Issued

Like identity theft, the IRS has filters to detect other types of refund fraud. However, these filters are only as good as the information they can be applied against. In some cases, the IRS does not have certain information returns when tax returns are filed. This prevents the IRS from identifying potential fraud before refunds are issued.

The IRS identifies fraud patterns around certain information returns, such as Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plan, IRAs, Insurance Contracts, etc.* and Form W-2G, *Certain Gambling Winnings*. The IRS uses data from these forms in its prerefund identity theft filters. For PY 2024, the IRS reported its filters identified about 6,600 questionable tax returns associated with Forms 1099-R and W-2G.

While previous legislation accelerated the filing deadline for some information returns to January 31 (e.g., Form W-2, *Wage and Tax Statement*, and nonemployee compensation returns), others remain due by March 31 (e.g., *W-2G and 1099-R*). As a result, the IRS does not have complete information return data available when the filing season begins; traditionally in January each year. We previously reported that having access to third party income and withholding information at the time tax returns are processed is an important tool that the IRS needs to further its efforts to prevent tax fraud.⁴

³ FY 2025 metrics were not available at the time of this report.

⁴ TIGTA, Report No. 2017-40-017, *Efforts Continue to Result in Improved Identification of Fraudulent Tax Returns Involving Identity Theft; However, Accuracy of Measures Needs Improvement* (February 2017).

The IRS Continues to Improve the Detection and Prevention of Individual Identity Theft

During the 2024 Filing Season, as of April 15, 2024, the IRS did not have information returns available at the time returns were filed for approximately:

- 15 million (75 percent) of the 20 million tax returns that reported Form 1099-R income. These returns claimed over \$46 billion in refunds.
- 1 million (77 percent) of the 1.3 million tax returns that reported Form W-2G income. These returns claimed \$3.6 billion in refunds.

The IRS estimates that it could potentially increase revenue protected by \$944 million for FY 2025 through FY 2034 if the filing deadline for certain information returns, including Forms 1099-R and W-2G, was earlier.

Recommendation 1: The Chief, Taxpayer Services, should work with the Department of the Treasury Office of Tax Policy to request legislation that would accelerate the filing deadline for all information returns whose current deadline is March 31.

Management's Response: IRS management agreed with this recommendation and will share this report with the Office of Tax Policy.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit is to assess the IRS's service-wide revenue protection strategy for individual tax returns. To accomplish our objective, we:

- Evaluated the IRS's processes for identifying potentially fraudulent or identity theft tax returns and whether these processes created a burden for taxpayers. We obtained the metrics for tax returns that were falsely selected by identity theft filters to identify the false detection rate. Additionally, we reviewed tax returns [REDACTED] to determine the impact of the IRS's decision to exclude [REDACTED] criteria from identity theft rules.
- Determined whether the IRS's processes for addressing potential identity theft tax returns are timely resolved. We used a population of tax returns selected by identity theft filters to determine the timeliness of posting the tax return after the taxpayer authenticated their identity and tax return information.
- Reviewed the IRS's collaboration efforts to determine if partnerships, such as the ISAC, are beneficial to the IRS's efforts to detect and prevent new and emerging patterns of identity theft and fraud.
- Evaluated the impact of certain information returns not being available to the IRS when tax returns are processed due to the March 31 due date.

Performance of This Review

This review was performed with information obtained from IRS personnel within Taxpayer Services Return Integrity and Compliance Services in Atlanta, Georgia and Austin, Texas during the period August 2024 through November 2025. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Data Validation Methodology

During this review, we obtained data from Modernized Tax Return Database, Individual Return Transaction File, Individual Master File, Accounts Management Services, Information Return Master File, and Generalized Unpostable Framework that are available on TIGTA's Data Center Warehouse or from the Office of Data Analytics. We also obtained data from the IRS, which included files from the Identity and Tax Return Verification Services for PYs 2023 and 2024. We selected random samples from each extract, which captures a range of the data across the population, and we verified that the data matched the respective data source. Lastly, we obtained identity theft filters, Taxonomy Reports, Identity Theft and Integrity Verification Operations Performance Reports, and Cost Benefit Analysis from the IRS. We performed tests to assess the reliability of data from the Data Center Warehouse and IRS reports. We evaluated the data by performing electronic testing of required data elements and interviewed agency officials

knowledgeable about the data. We determined that the data were sufficiently reliable for the purpose of this report.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the processes of the Return Review Program, Dependent Database, and the [REDACTED] procedures used to select tax returns for identity theft treatment and IRS processing procedures. We evaluated these controls by reviewing the Internal Revenue Manual, reviewing program reports, and interviewing IRS management.

Appendix II

Management's Response to the Draft Report




CHIEF
TAXPAYER SERVICES

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

March 25, 2026

MEMORANDUM FOR DIANA M. TENGESDAL
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kenneth C. Corbin 
Chief, Taxpayer Services Division

DN: c=US, ou=U.S. Government, ou=Department of the Treasury, ou=Internal Revenue Service, ou=People, serialNumber=417237, cn=Kenneth C. Corbin
Date: 20260325 10:08:53 -0400'

SUBJECT: Draft Audit Report – The IRS Continues to Improve the Detection and Prevention of Individual Identity Theft (Audit No.: 2024400007)

Thank you for the opportunity to review the subject draft report. The IRS is committed to protecting taxpayers by proactively detecting potentially fraudulent refund claims and preventing their payment. We have had continued success using information returns to identify and detect suspicious returns through the Return Review Program. These protections have saved billions of dollars annually by stopping the issuance of potentially fraudulent refunds.

We continually assess and adjust our identity theft filters, as needed, to address emerging fraud schemes and risks, while improving identity theft selections and minimizing taxpayer burden. We reduced the rate at which legitimate tax returns were selected from 55 percent in calendar year 2023 processing to 52 percent in calendar year 2024. Additionally, when internal information allows us to independently verify a taxpayer's identity, we process the tax return in a timely manner without the need for taxpayer contact. We have accomplished significant gains in using information returns to detect emerging trends of potential identity theft refund fraud.

As reported, statutory authority does not exist for the IRS to change the filing due dates of information returns. We previously submitted legislative proposals to accelerate the due date of information returns with withholding credits. To date, legislation has not been enacted to modify the filing due dates of these returns. Having a more complete universe of data available from which to evaluate the accuracy of tax refund claims and to confirm the authenticity of the identities of individuals claiming those returns would significantly enhance our ability to stop improper claims from being paid.

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Our response to your recommendation is provided below. If you have any questions, please contact me, or a member of your staff may contact James P. Clifford, Director, Return Integrity and Compliance Services, Taxpayer Services Division, at 470-639-3250.

Attachment

Attachment

Recommendation 1

The Chief, Taxpayer Services, should work with the Department of the Treasury Office of Tax Policy to request legislation that would accelerate the filing deadline for all information returns whose current deadline is March 31.

CORRECTIVE ACTION:

We agree and we will share this report with the Office of Tax Policy.

IMPLEMENTATION DATE:

June 15, 2026

RESPONSIBLE OFFICIAL(S):

Director, Return Integrity Verification Program Management, Return Integrity and Compliance Services, Taxpayer Services Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

Appendix III

Glossary of Terms

Term	Definition
Accounts Management Services	A computer-based system used to answer and resolve all taxpayer account inquiries. It provides a common interface that allows users of multiple IRS systems to view history and comments from other systems.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The federal government's fiscal year begins on October 1 and ends on September 30.
Generalized Unpostable Framework	A database inventory system containing tax returns or source documents that have failed validity, and consistency checks at the Master File.
Identity and Tax Return Verification Services	The IRS's online service used by taxpayers to authenticate their identity and tax return information.
[REDACTED]	[REDACTED]
Individual Master File	The IRS database that maintains transactions or records of individual tax accounts.
Individual Return Transaction File	A database maintained by the IRS that contains information on the individual tax returns it receives.
Information Return Master File	Maintains a master batch file of current tax year information returns and maintains access to nine prior years. Beginning in January of each year, extracts are made from the entire Individual Returns Master File on a weekly basis.
Modernized Tax Return Database	The official repository of all electronic returns processed through the Modernized e-File system.
Processing Year	The calendar year in which the tax return or document is processed by the IRS.
Social Security Number	A nine-digit number issued to an individual by the Social Security Administration. The IRS uses this number to process tax documents and returns.

Appendix IV

Abbreviations

FY	Fiscal Year
IRS	Internal Revenue Service
ISAC	Information Security Analysis Center
PY	Processing Year
SSN	Social Security Number
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,
contact our hotline on the web at
<https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at
TIGTACommunications@tigta.treas.gov.**

Information you provide is confidential, and you may remain anonymous.