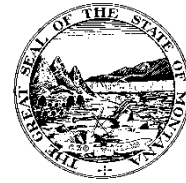




Mike Kadas
Director

Montana Department of Revenue



Steve Bullock
Governor

MEMORANDUM

To: Revenue and Transportation Interim Committee (RTIC)

From: Mike Kadas, Director

Date: May 6, 2014

Subject: Income Tax Fraud Update

At the last Revenue and Transportation Interim Committee Meeting, the Committee asked the department if we knew how many fraudulent refunds had been processed that were not stopped by the department's fraud program. The Committee also asked if the department was aware of any national standards or percentages that provided any guidance as to what might be an acceptable percentage of fraudulent returns to overall tax returns filed.

Tax Fraud Update

The following table provides the Committee with an update on the fraudulent returns and claims for refunds that have been stopped as of April 25, 2014. The table also includes the number of fraudulent returns that we are aware that have made it passed our fraud program.

	Week of April 25, 2014	Total for 2014 as of April 25, 2014	Week of April 25, 2013	Total for 2013 as of April 25, 2013	Cumulative Total for 2013
Fraudulent Returns Stopped					
Number of fraudulent returns filed:	37	300	14	257	972
Amount of fraudulent refunds stopped:	\$80,578	\$481,799	\$10,120	\$337,273	\$776,162
Fraudulent Returns Processed and Identified Later					
Fraudulent returns processed (did not get stopped):	0	5	0	1	3
Amount of fraudulent refunds released:	\$0.00	\$6,871	\$0.00	\$1,396	\$3,814
Fraudulent returns processed but later recovered:	1	2	0	1	2
Amount of fraudulent refunds processed but later recovered:	\$152	\$1,291	\$0.00	\$2,018	\$9,117

National Standards or Percentages

The department is unaware of any national standards or percentages that would indicate the percent of fraudulent tax returns to overall tax returns filed which is acceptable. The IRS reports that from 2011 through November of 2013 they have stopped 14.6 million suspicious returns and over \$50 billion in fraudulent refunds. Annually the IRS receives 146 million individual income tax returns.