

*Independent Association of Accountants of New York, Inc.*

## **IRS, Partners Warn Tax Preparers of Data Theft Risks; Launch New Campaign to Increase Awareness**

IR-2016-96, July 6, 2016

WASHINGTON — Leaders from the Internal Revenue Service, state tax agencies and tax preparation community today warned tax preparers that they increasingly are targets of cybercriminals and should take appropriate steps to protect clients from data theft.

IRS also posted new information to help tax professionals get started with safeguards to protect clients' data. It's the first in a series of fact sheets and tips on security, scams and identity theft prevention measures aimed at tax professionals. The Protect Your Clients; Protect Yourself campaign will run through the start of the 2017 filing season.

Recognizing the risk to tax preparers, this new effort is an expansion of the Security Summit's 2015 "Taxes. Security. Together." campaign aimed at increasing public awareness for using security software, creating stronger passwords and avoiding phishing emails.

"We have more than 700,000 tax preparers in this country, with many of those taking good security precautions," said IRS Commissioner John Koskinen. "But cybercriminals are continuing to evolve, using new technology, ruses and scams. The tax community handles large volumes of sensitive personal and financial information. We need every tax professional to stay on top of their security to protect taxpayers as well as their businesses."

Fact Sheet 2016-23, "Tax Professionals: Protect Your Clients; Protect Yourself from Identity Theft," urges preparers to follow the security recommendations found in Publication 4557, Safeguarding Taxpayer Data. The fact sheet outlines the critical steps necessary to protect taxpayer information and to build customer confidence and trust.

Preparers should sign up for e-News for Tax Professionals, the IRS Tax Pro Twitter Account and the Return Preparer Office's Facebook page to stay informed about this campaign and about scams and schemes in general. The IRS also is creating a Protect Your Clients; Protect Yourself page on IRS.gov.

The Security Summit consists of the IRS, state tax agencies and the private-sector tax industry working together to safeguard taxpayers from tax-related identity theft. On June 28, Summit partners announced their 2017 initiatives to combat stolen identity refund fraud.

## **Tax Professionals: Protect Your Clients; Protect Yourself from Identity Theft**

FS-2016-23, July 2016

The Security Summit, the partnership between the IRS, state tax agencies and the tax community formed to combat identity theft, recently announced it expanded its public awareness campaign on data security to include tax professionals.

The "Protect Your Clients; Protect Yourself" campaign is intended to raise awareness among tax professionals on their responsibilities and the common sense steps they can take to protect their clients from identity theft and to protect their businesses.

Because of the sensitive client data held by tax professionals, cybercriminals increasingly are targeting the tax preparation community, using a variety of tactics from remote computer takeovers to phishing scams.

**How are Tax Preparers Impacted?** Identity thieves are a formidable enemy. Data breaches are increasing in number and scope, increasing the potential for stolen identity information to be used to file tax returns. As a tax preparer, you play a critical role in protecting taxpayer data.

**What is my role as a preparer?** It is a legal responsibility of businesses and individuals that maintain, share, transmit, or store taxpayer data to have safeguards in place to protect client information. Taxpayer data is defined as any information obtained or used in the preparation of a tax return.

**What Can I Do?** Data security includes all aspects of your business. Review your administrative practices, facility protection, computer security, personnel & information systems.

Read the complete IRS [Publication 4557](#), Safeguarding Taxpayer Data, for a more comprehensive view including tips and links to additional information.

**Critical Steps:**

- Assure that taxpayer data, including data left on hardware and media, is never left unsecured
- Securely dispose of taxpayer information
- Require strong passwords (numbers, symbols, upper & lowercase) on all computers and tax software programs
- Require periodic password changes every 60 – 90 days
- Store taxpayer data in secure systems and encrypt information when transmitting across networks
- Ensure that e-mail being sent or received, that contains taxpayer data, is encrypted and secure
- Make sure paper documents, computer disks, flash drives and other media are kept in a secure location and restrict access to authorized users only
- Use caution when allowing or granting remote access to internal networks containing sensitive data
- Terminate access to taxpayer information for anyone who is no longer employed by your business
- Create security requirements for your entire staff regarding computer information systems, paper records and use of taxpayer data
- Provide periodic training to update staff members on any changes and ensure compliance
- Protect your facilities from unauthorized access and potential dangers

Create a plan on required steps to notify taxpayers should you be the victim of any data breach or theft

**Additional Considerations:**

- Complete a risk assessment to identify risk and potential impacts of unauthorized access
- Write and follow an Information Security plan

Consider performing background checks and screen individuals before granting access to taxpayer information

Putting safeguards in place to protect taxpayer data helps prevent fraud and identity theft and enhances customer confidence and trust. These safeguards will help you:

1. Preserve the confidentiality and privacy of taxpayer data by restricting access and disclosure
2. Protect the integrity of taxpayer data by preventing improper or unauthorized modification or destruction; and

Maintain the availability of taxpayer data by providing timely and reliable access and data recovery.

## How to Register for Get Transcript Online Using New Authentication Process

FS-2016-20, June 2016

The IRS recently enhanced its e-authentication procedures required to register and use certain self-help tools on IRS.gov. This is a more rigorous e-authentication process than IRS has used in the past. It is in line with federal information security standards and the latest industry practices used by major financial institutions as well as many other large businesses.

We continue to support multiple options for those taxpayers who may be unable to access online features, and will continue to look for ways to expand options for all taxpayers.

The new e-authentication procedures currently are being applied to Get Transcript Online. The new procedures are scheduled to be applied to some other tools, such as Get an Identity Protection PIN, later this year.

### Here's what new users need to get started:

- A readily available email address;
- Your Social Security number or Individual Tax Identification Number;
- Your filing status and address from your last-filed tax return;
- Access to certain account numbers for either:
  - credit card, or
  - home mortgage loan, or
  - home equity (second mortgage) loan, or
  - home equity line of credit (HELOC), or
  - car loan
  - A readily available mobile phone. Only U.S.-based mobile phones may be used. Your name must be associated with the mobile phone account. Landlines, Skype, Google Voice or similar virtual phones as well as phones associated with pay-as-you-go plans cannot be used;

If you have a "credit freeze" on your credit records through Equifax, it must be temporarily lifted before you can successfully complete this process.

Because this process involves verification using financial records, there may be a "soft notice" placed on your credit report. This notice does not affect your credit score.

### To securely access Get Transcript Online, first-time users must:

- Submit their name and email address to receive a confirmation code;
- Enter the emailed confirmation code;
- Provide their SSN, date of birth, filing status and address on the last filed tax return;
- Provide some financial account information for verification such as the last eight digits of their credit card number or car loan number or home mortgage account number or home equity (second mortgage) loan number;
- Enter a mobile phone number to receive a six-digit activation code via text message;

- Enter the activation code;
- Create username and password, create a site phrase and select a site image.

**Returning taxpayers who have not completed the new secure access process:**

- Log in with an existing username and password;
- Submit financial account information for verification, for example, the last eight digits of a credit card number or car loan number or home mortgage account number or home equity (second mortgage) loan account number;
- Submit a mobile phone number to receive an activation code via text;
- Enter the activation code.

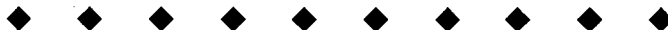
**Returning taxpayers who have completed the new secure access process:**

- Log in with an existing username and password;
- Receive a security code text via mobile phone provided with account set up;

Enter the security code into secure access.

If at any point, you cannot validate your identity – for example, you cannot provide financial verification information or you lack access to a mobile phone – you may use Get Transcript by Mail.

Get Transcript by Mail allows you to go online and select the mail option. The transcript will be mailed to the address of record and will be delivered within five to 10 days.



**The IRS and LLC's :** The IRS has update Publication 3402 Taxation of Limited Liability Companies in June 2016. It is recommended that all accountants review this update to ensure they are treating these entities correctly.



**Membership Drive**

Membership renewal forms were mailed out in mid-June. Please remember to renew by August 1 so that we can get out a membership book in September.

If you know an accountant who isn't a member, please share our information with them. This is a great organization that has a lot to offer all accountants.

## **New Federal Tax Law May Affect Some Refunds Filed in Early 2017; IRS to Share Details Widely with Taxpayers Starting This Summer**

The Internal Revenue Service has announced initial plans for processing tax returns involving the Earned Income Tax Credit and Additional Child Tax Credit during the opening weeks of the 2017 filing season. The IRS is sharing the information now to help the tax community prepare for the 2017 season, and plans are being made for a wider communication effort this summer and fall to alert taxpayers about the changes that will affect some early filers.

This action is driven by the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) that was enacted Dec. 18, 2015, and made several changes to the tax law to benefit taxpayers and their families. Section 201 of this new law mandates that no credit or refund for an overpayment for a taxable year shall be made to a taxpayer before Feb. 15 if the taxpayer claimed the Earned Income Tax Credit or Additional Child Tax Credit on the return.

This change begins Jan. 1, 2017, and may affect some returns filed early in 2017. Additional information is listed below.

- To comply with the law, the IRS will hold the refunds on EITC and ACTC-related returns until Feb. 15.
- This allows additional time to help prevent revenue lost due to identity theft and refund fraud related to fabricated wages and withholdings.
- The IRS will hold the entire refund. Under the new law, the IRS cannot release the part of the refund that is not associated with the EITC and ACTC.
- Taxpayers should file as they normally do, and tax return preparers should also submit returns as they normally do.
- The IRS will begin accepting and processing tax returns once the filing season begins, as we do every year. That will not change.
- The IRS still expects to issue most refunds in less than 21 days, though IRS will hold refunds for EITC and ACTC-related tax returns filed early in 2017 until Feb. 15 and then begin issuing them.

This is one more step the IRS is taking to ensure taxpayers receive the refund they are owed. The IRS plans to work closely with stakeholders and IRS partners to help the public understand this process before they file their tax returns and ensure a smooth transition for this important law change.

More information about this law will be posted to [IRS.gov](http://IRS.gov) and shared with partners and taxpayers throughout the second half of 2016.



### **Top 7 Tax Jokes for Accountants**

- 7) Tax Day is the day that ordinary Americans send their money to Washington, D.C., and wealthy Americans send their money to the Cayman Islands. (Jimmy Kimmel)
- 6) The healthcare reform bill now includes a tanning booth tax of 10 percent. You know what this means? The whole thing could be funded by the cast of "Jersey Shore". (Jay Leno)
- 5) Children may be deductible, but they are still taxing. (unknown)
- 4) Why won't sharks attack tax inspectors? Professional courtesy. (unknown)
- 3) I'm not going to pay taxes. When they say I'm going to prison, I'll say 'No, prisons cost taxpayers a lot of money. You keep what it would have cost to incarcerate me, and we'll call it even.' (Jimmy Kimmel)
- 2) People who struggle with their income tax can be divided into two categories: Men and women. (unknown)
- 1) Worried about an IRS audit? Avoid what's called a red flag. That's something the IRS always looks for. For example, say you have some money left in your bank account after paying taxes. That's a red flag. (Jay Leno)

## 2016– 2017 IAA SCHEDULE OF EVENTS

<u>Date &amp; Time</u>	<u>Topics</u>	<u>Meeting Place</u>
September 14, 2016	When an Audit Goes Criminal Travis Greaves	Russell's Steak, Chops & More
September 20, 2016	Gear Up - Business Entities	Millennium Hotel
October 5, 2016	The Accountants Office and Technology David Sherman	Russell's Steak, Chops & More
November 7 & 8, 2016	Gear Up 1040	Millennium Hotel
December 7, 2016	TBA	Russell's Steak, Chops & More
January 25, 2017	Round Table Discussions	Russell's Steak, Chops & More
May 3, 2017	Board Elections	Russell's Steak, Chops & More

Meetings at the **Russell's Steak, Chops & More** start promptly at 6:00 p.m.

**Russell's Steak, Chops & More – 6675 Transit Road – Williamsville, NY**

**(Just North of the I-90)**

### IAA's Mission Statement

To promote, assist, educate, protect and defend the accounting practitioner within the State of New York; to aid the progress of the profession of accountancy, without limiting the foregoing; to advance the theory and practice of accountancy and its allied fields; to enhance the status of the accounting practitioner within the State of New York to endeavor to maintain technical and cultural standards

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The quarterly newsletter and other information.