

MATT SALMON
5TH DISTRICT, ARIZONA

2349 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2635
(202) 226-4386 (FAX)

207 NORTH GILBERT ROAD
SUITE 209
GILBERT, AZ 85234
(480) 699-8239
(480) 699-4730 (FAX)

Congress of the United States
House of Representatives
Washington, DC 20515-0305

www.house.gov/salmon

COMMITTEE ON
FOREIGN AFFAIRS

CHAIRMAN
SUBCOMMITTEE ON
ASIA AND THE PACIFIC

COMMITTEE ON
EDUCATION AND THE WORKFORCE

March 30, 2016

Commissioner John Koskinen
Internal Revenue Service
U.S. Department of the Treasury
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Koskinen,

As you know, incidents of identity refund fraud through the use of prepaid debit cards (PDCs) have been on the rise. According to a recent Chicago Tribune article titled, "*Prepaid Card Users, Under Scrutiny, Find Tax Refunds Frozen*," this trend has seen a sharp increase since 2013.¹ Furthermore, back in 2012, the Department of Treasury Inspector General for Tax Administration predicted that by 2016 the IRS would have lost \$21 billion due to identity refund fraud.²

As I understand it, the IRS, state taxing authorities, and the tax-preparation industry are examining ways to address this problem. However, with tax season upon us, more needs to be done to quickly address the connection of PDCs to this pervasive area of taxpayer fraud. To date, there is no official, concrete number on the amount of fraud perpetrated by use of PDCs, and no consensus on what steps can be taken to prevent this type of fraud in the future.

In order to more fully understand the size and scale of the problem, I respectfully request that you provide answers to the following questions:

1. What is the total amount the IRS pays out each year through the PDC program and has this amount been increasing or decreasing over a five-year period?
2. What is the IRS's estimate as to the amount of identity theft through the use of PDCs compared to the use of traditional bank accounts?
3. Have the IRS's conversations with state taxing authorities and the tax-preparation industry yielded progress to address the pervasive nature of identity refund fraud in the 2016 tax year?
4. Has the IRS considered strengthening identity theft safeguards, specifically as to PDCs, before disbursing refunds through PDCs?
5. What specific steps is the IRS taking to reform its tax refund process, specifically related to the use of PDCs, in light of this troubling trend?

¹ <http://www.chicagotribune.com/business/ct-pre-paid-card-users-tax-refunds-20160309-story.html>

² http://www.treasury.gov/tigta/press/press_tigta-2012-36.htm

I believe the answers to these important questions will help to determine how best to reform the use of PDCs and their contribution to identity refund fraud. With law-abiding taxpayers suffering the consequences of criminals cheating the system, it is critical that steps are taken quickly to protect the integrity of the system for everyone. I look forward to your timely response to these questions. If you have any questions, please contact my office directly.

Sincerely,

A handwritten signature in black ink that reads "Matt Salmon". The signature is written in a cursive, flowing style.

Matt Salmon
Member of Congress