



# Rhode Island Department of Revenue

## Division of Taxation

ADV 2021-30  
SECURITY SUMMIT

ADVISORY FOR TAX PROFESSIONALS  
AUGUST 3, 2021

### **Tax professionals can help victims of unemployment-related ID theft**

*Criminals exploited pandemic to steal unemployment benefits, Security Summit says*

PROVIDENCE -- The Rhode Island Division of Taxation, the Internal Revenue Service, and other partners in the Security Summit today outlined how tax professionals can help clients who were victims of unemployment insurance fraud schemes that targeted state workforce agencies in 2020 and 2021.



Unemployment compensation fraud was one of the more common identity theft schemes that emerged in 2020 as criminals exploited the coronavirus (COVID-19) pandemic and the resulting economic impact.

“Identity thieves always look for opportunities, and the unemployment surge presented a new opportunity to exploit the pain and financial hardships faced by Americans,” said IRS Commissioner Chuck Rettig.

“This particular scam is especially egregious because 23 million Americans were jobless or underemployed last year and desperately needed these benefits,” Rettig said. Criminals took advantage of the pandemic by filing fraudulent claims for unemployment benefits throughout the country, using stolen personal information of individuals who had not filed claims, said Rhode Island Tax Administrator Neena Savage.

Payments made as a result of these fraudulent claims went to the criminals (whether domestic or international); the individuals whose names and personal information were stolen did not receive any of the payments. The U.S. Department of Labor’s Inspector General estimated approximately \$89 billion in unemployment compensation was lost in 2020 alone due to fraud.

#### **Steps to aid clients**

Following are some steps tax professionals should take to assist clients who are victims of the unemployment compensation fraud scheme.

- File U.S. Form 14039 (“Identity Theft Affidavit”) only if an electronically filed return rejects because the client’s Social Security number has already been used: <https://www.irs.gov/pub/irs-pdf/f14039.pdf>. But please note: Do not file the U.S. Form 14039 to report unemployment compensation fraud to the IRS.
- Each state has its own process for reporting unemployment compensation fraud. To report such fraud to the Rhode Island Department of Labor (DOR) and Training, please use the following link: <https://dlt.ri.gov/ui/reportfraud/>.

- For clients who were victims of unemployment compensation fraud involving benefits from other states, the U.S. Department of Labor has contact and other information for all states: <https://www.dol.gov/agencies/eta/UIIDtheft>.
- Because of fraud and identity theft, many taxpayers across the country were sent Forms 1099-G for unemployment compensation they did not actually receive. Some taxpayers received forms from multiple states. This scam could affect 2021 returns next year as well as 2020 returns this year. Make sure to file tax returns reporting only the actual income received. State workforce agencies may not be able to timely issue a corrected Form 1099-G. Even if the client has not received a corrected Form 1099-G, report only wages and income received and exclude any fraudulent claims.
- Consider an IRS Identity Protection PIN. The personal information of victims of the unemployment benefit scam could end up being used for additional criminal activities, such as filing fraudulent tax returns. All taxpayers who can verify their identities can now obtain an Identity Protection PIN to protect their Social Security numbers: <https://www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin>.
- Follow Federal Trade Commission recommendations for identity theft victims. Taxpayers should consider steps to protect their credit and other actions outlined by the FTC. The DOL also includes this information on its fraud page: <https://www.dol.gov/agencies/eta/UIIDtheft>.
- Respond promptly to notices from the states about employees filing jobless claims.

## Protect Your Clients

Tips for Tax Pros to Combat Identity Theft



For information about the federal tax treatment of unemployment benefits: <https://www.irs.gov/forms-pubs/new-exclusion-of-up-to-10200-of-unemployment-compensation>.

For information about the Rhode Island tax treatment of unemployment benefits: [http://www.tax.ri.gov/Advisory/ADV\\_2021\\_28.pdf](http://www.tax.ri.gov/Advisory/ADV_2021_28.pdf)



### About this announcement

The Security Summit partners are conducting the 2021 "Protect Your Clients; Protect Yourself" summer campaign aimed at tax professionals. This year's theme is "Boost Security Immunity: Fighting Against Identity Theft". It's intended to urge tax professionals to step up their efforts to protect client data amid the pandemic and its aftermath. For more information: <https://www.irs.gov/newsroom/security-summit>.

The Rhode Island Division of Taxation is open to the public from 8:30 a.m. to 3:30 p.m. business days. To learn more, see the agency's website: [www.tax.ri.gov](http://www.tax.ri.gov).