



Identity Theft  
Tax Refund Fraud  
ISAC

# 2024 Annual Report



## Executive Summary

Since 2017, the ISAC partnership continues to evolve providing the environment and platform necessary for this important work of protecting our nation's taxpayers and revenue systems. 2024 was no different in that criminals continued to use stolen identity information, attempting to erode the tax system and commit tax refund fraud. The partnerships formed as part of the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center (ISAC) continue to leverage our combined knowledge, resources, and tools to combat this criminal behavior.

Key ISAC activities in 2024 include:

- ISAC membership remains strong with 73 member organizations, including 48 states, 15 Industry, 4 Financial Service Companies, IRS, and 5 endorsing organizations. It is the active engagement of these users – engaging in collaborative fraud detection and prevention activities – that makes the ISAC successful.
- The ISAC rolled out a new platform for data sharing and exchange. The new Collaboration Space aligns with the ISAC five-year strategic plan: *to explore new platforms that address partner needs*. The design was based on partner feedback including specific requests for functionality that allows for easier informational exchange and real-time use.
- Alerts are a real-time process that allows ISAC users to share what they see when they see it enabling all partners to act quickly. In 2024 the ISAC deployed an innovative Alert App to enable easier input and search capabilities for reporting and identifying schemes. ISAC partners posted 308 alerts through September 30, 2024. This is a record high for the partnership.
- In the fourth year of an innovative data sharing pilot, in which some industry and state partners volunteered to test sharing and analyzing additional data elements in the industry leads data, the partnership concluded this new data provides value. Lessons learned from the 2023 findings were incorporated into the Security Summit work and these new data elements continue to identify schemes and fraud patterns not previously uncovered in any other process. This program will transition from a pilot into an operationalized program beginning calendar year 2025.
- Engagement remains high in the Analysts' Community of Practice (ACoP), the crown jewel of the ISAC, which is a forum for the community to share information to protect the ecosystem and protect revenue. The 2024 ACoP Conference hosted 109 analysts, representing 26 ISAC organizations, and included 25 first time attendees who came together to share best practices and discuss initiatives to help prepare for the next tax season.

### ISAC Mission

The mission of the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center is to provide a secure platform via a sustainable public/private partnership, to facilitate information sharing consistent with applicable law, and analytics necessary to detect, prevent, and deter activities related to stolen identity refund fraud.

### ISAC Vision

Our vision, as a public/private partnership, is a tax ecosystem where taxpayers can confidently file their taxes safely and securely.

*Let me first say that the Alert App is SIMPLY AMAZING!!! What a great enhancement, words cannot describe how much of an improvement this was to the whole process.*  
—ISAC User

*"Again this year, the ISAC vividly demonstrated the value of having experts and professionals from the private sector, states and the IRS working together in conjunction with the Security Summit initiative to address identity theft and tax refund fraud," said IRS Commissioner Danny Werfel. "Cybercriminals are constantly changing their techniques, but the ISAC has proven adept at evolving and continues its success combatting and deterring these schemes. During the past year, the ISAC rolled out a new platform for data sharing and exchange while continuing to address and consider emerging challenges involving artificial intelligence. The bottom line is that the work of the ISAC directly benefits taxpayers, the entire tax community as well as the IRS and the nation."*



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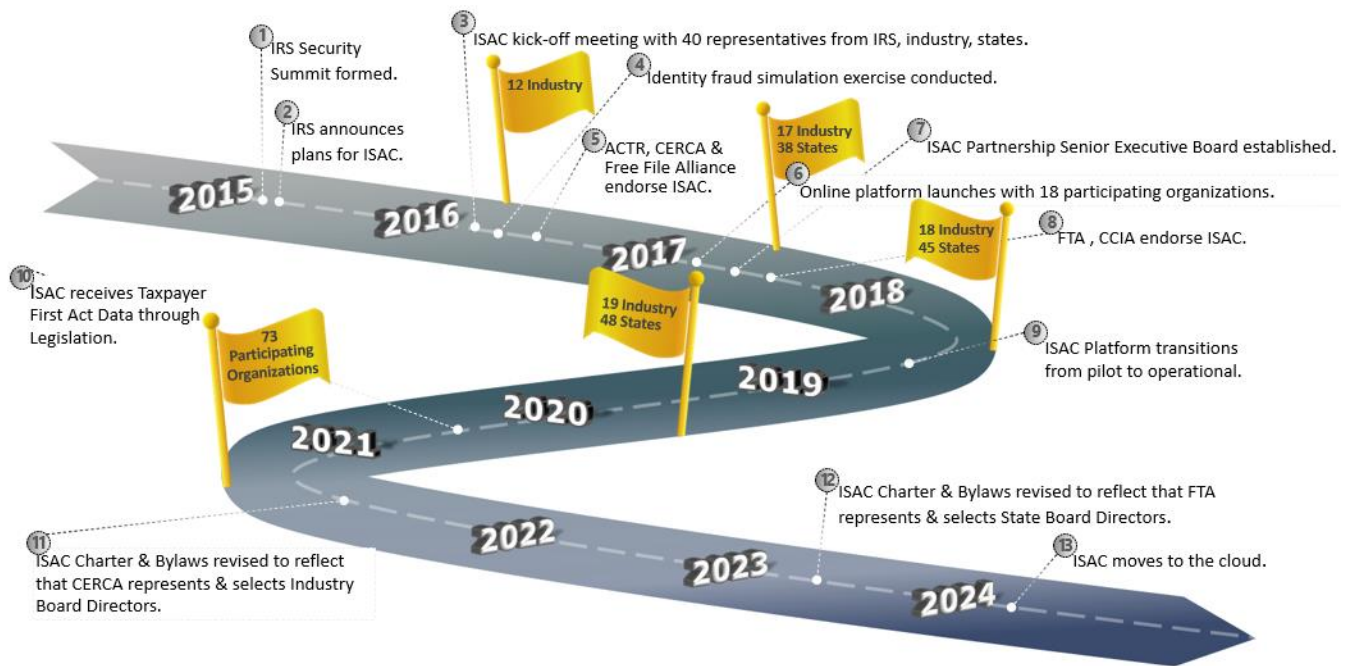
# Our History

## The IRS Security Summit

In March 2015, the IRS convened an unprecedented coalition, called the Security Summit, of state tax agencies and private-sector tax industry officials to tackle a difficult task – fighting back against emerging criminal syndicates, based in the U.S. and overseas, that were filing fraudulent returns for refunds. These new cyber gangs were often sophisticated, highly organized, and well-funded. In 2016, these Security Summit partners agreed on the need for a formal Public-Private Partnership for sharing data in a collaborative environment based on partner-agreed rules.

## Formation of the IDTTRF-ISAC: The Platform and the Partnership

In January 2017, based on Security Summit recommendations, the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center (the IDTTRF-ISAC or simply, the ISAC) was formed, governed in equal partnership by the IRS, industry, and states. The ISAC consists of two components: the platform and the partnership. The platform is managed by an IRS Executive Official and the Partnership is managed by a Senior Executive Board comprised of executive leaders in states, industry and the IRS.



The secure ISAC platform is operated under the direction of the IRS, through a Federally Funded Research and Development Center (FFRDC). The FFRDC serves as the ISAC’s Trusted Third Party (TTP) facilitating information sharing among entities that wouldn’t otherwise do so. The secure platform serves as the centralized information-sharing vehicle for the ISAC and includes controls to ensure that sharing is consistent with applicable regulations and laws.

The ISAC partnership today includes 73 organizations – 48 States, 15 Industry partners, 4 Financial Services Companies, the IRS, and 5 Endorsing Organizations. This collaboration and data sharing creates a formidable defense against criminals’ ongoing attacks on our tax system.

# The IDTTRF-ISAC in comparison to other Public Private Partnerships

- Flexibility to activate new initiatives as identity theft continues to evolve
- All partners are focused on protecting taxpayers by sharing new and innovative information
- Partners volunteer time and resources to the mission
- Analysts Community of Practice provides multi dimensional layers of competence to problem solving
- Various levels of knowledge and engagement in tax administration allows for more indepth knowledge sharing
- Trusted Third Party provides data security and partner specific data anonymity, ensuring trust
- Trust is high, communications & threat sharing produces action

In a recent comparative analysis of 29 Information Sharing and Analysis Centers, the Identity Theft Tax Refund Fraud ISAC follows, and in some instances exceeds, operating norms as outlined in these characteristics.

## Risk Environment

The continued efforts of criminals to steal data means individual’s personal information is available to the criminals in large volumes. Annually, the Federal Trade Commission (FTC) publishes data on consumer fraud.

Unfortunately, identity theft continues to top the list of consumer fraud reports filed with the FTC. In the first two quarters of 2024, over 500K identity theft reports were made to the FTC. The theft types were identified as:

- Credit Card
- Other Identity Theft
- Loan or Lease
- Bank Account
- Employment or Tax-Related
- Government Documents or Benefits
- Phone or Utilities

*For nearly a decade, ACTR and its members have closely collaborated with the IRS and state departments of revenue to interrupt and combat identity theft tax refund fraud and we have had tremendous success in doing so. The ISAC has been a critical tool in our joint effort, allowing private and public sector stakeholders to share and act upon information and data in real time to prevent this crime against the American taxpayer and our nation. However, we can never rest on our laurels. The ISAC has demonstrated time and again that it is nimble and flexible and able to meet the evolving threats perpetrated by criminal gangs and others who seek to steal from the U.S. Treasury.*

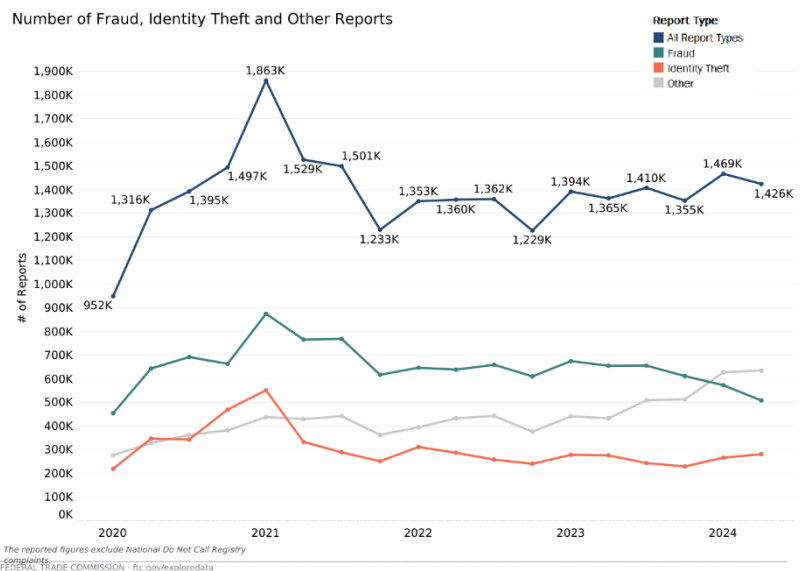
David Ransom  
Counsel, American Coalition of Taxpayer Rights

## Working Smarter

The data criminals obtain from these thefts can be used for multiple types of identity theft fraud, including tax fraud. Identity theft is not going away, and the criminals are continuing to get more savvy at how they steal and use data. This means we in the ISAC community must stay alert to changes in the fraud landscape and use that information to adapt and innovate as quickly as the criminals.

FTC CONSUMER SENTINEL NETWORK

Published July 24, 2024  
(data as of June 30, 2024)



([www.public.tableau.com/app/profile/federal.trade.commission/vizzes](http://www.public.tableau.com/app/profile/federal.trade.commission/vizzes))



## Artificial Intelligence

Every year criminals add new twists to their bad behavior and this year was no different. Despite its many benefits, artificial intelligence has enabled criminals to exploit masses of information and documents in the pursuit of the highly technical and sophisticated operation of identity theft.

The IRS Security Summit, including the ISAC partnership, has begun to address challenges associated with artificial intelligence and to develop strategies that include early and proactive fraud detection and prevention.

## Year in Review - Evolution of the ISAC

The objectives of the 5-year strategic plan are focused on implementing modern solutions, promoting a culture of continuous improvement and transparent, diverse, and sustainable partnerships. This type of strategic plan requires constant evolution and growth of the partnership. The relationships formed within the ISAC provide a unique environment for the trusted public/private collaboration that has allowed for significant growth and innovation over the course of the past eight years. This partnership presents a unique bond that has worked well to detect and prevent a significant amount of identity theft tax refund fraud.

*I think over the last few years we have made great strides in providing the data in a digestible manner, organizational upgrades making it easy to use and training. We are seeing alerts being made by so many new faces that we rarely heard from in the past. We are definitely headed in the right direction. – ISAC User*

## Value to IRS and Taxpayers

The ISAC is incredibly valuable to the IRS. It provides opportunities for the cross collaboration of the diverse fraud analytics across the partnership. The platform provides the exchange near real time data or patterns of IDT-related fraud. Beyond the data, there are opportunities through the Analyst Community of Practice to exchange best practices, analytical techniques, risk mitigations, opportunities for new data sets to improve detection and/or improve reliability to reduce taxpayer burden. The IRS supports and consumes the information through multiple disciplines from detection, research, and opportunities for communication/outreach. The challenge of IDT is the constant evolution of schemes and reintroduction of older schemes. This public private effort strengthens the awareness and defenses of the IDT theft within the full ecosystem from software, states, financials, and the IRS. The value is to identify schemes quickly, create mitigations, and respond as an ecosystem to move threats out of tax refund fraud, as soon as possible.

## Value to State Tax Agencies and Taxpayers

The State tax agencies have found significant value in the ISAC. It has provided them with a uniform platform where they can share the latest fraud information with all the partners in the ISAC. The platform provides opportunities for more real-time informational exchange which promotes early detection and prevention. Early detection and prevention allow the right taxpayer to file an accurate and timely return with the comfort of knowing their return will be processed more quickly while also protecting the taxpayer.

## Value to Industry Agencies

*The partnership and collaboration between IRS, states, and industry has been priceless. Being able to quickly collaborate and respond to emerging threats is critical in the ever-changing fraud landscape. — ISAC User*

The value from ISAC membership and partner collaboration in terms of a safer industry tax ecosystem and accordingly better tax data protections inevitably flows downstream to taxpayers. Taxpayers who are either self-prepared filers or those using a tax professional can now more fully rely on the fact that bad actors are being held in check, their personal data is safe and the value of that safety and confidence cannot be easily measured - but it is there. Taxpayers and their data today are simply safer and less prone to abuse because of the ISAC.

## Executive Leadership/Commitment through Actions

The ISAC exists through its strong, trusted, collaborative efforts and the highly engaged support of ISAC leadership and endorsing organizations. This year proved to be another year of partner-supported leadership through their educational and outreach opportunities, discussions about foundational ISAC work, and strategic decisions that not only support the ISAC of today but position the ISAC for the future and what is yet to come. The partnership agrees we cannot become complacent – we need to understand our adversaries and work to stay ahead of their efforts.

## Partnership Pilot

*With the addition of the newly approved Security Summit data fields, we can more easily identify groupings of suspicious filings that would not have been obvious previously. --- ISAC User*

Since the ISAC's inception, partners have identified and participated in pilot activities that help advance their collective and collaborative approach to addressing identity theft tax refund fraud. This year marked the fourth year of a pilot designed to provide more specific information about suspicious returns. The pilot successfully provided real-time insights into fraudulent schemes and established a foundation for data collection and analysis to help partners protect taxpayers.

We're pleased to announce that this initiative is transitioning from pilot to an operational ISAC program, adding a valuable tool in the fight against identity theft tax refund fraud. As with all data shared in the ISAC, partner participation remains voluntary, and partner innovation signals their continued commitment to protecting taxpayers.

## Taxpayer First Act Data

While Congress enacted the Taxpayer First Act (TFACT) in 2020, the first two years of data sharing in the ISAC involved enhancing the security of the ISAC infrastructure to ensure safeguarding procedures and then helping partners understand the data, how to use the data and how to provide feedback on the value. In 2024, IRS shared nearly 6M records with ISAC partners.

*A place to start is to provide the partnership data to improve models and filters for detection or at-risk returns. In addition, there are opportunities to communicate within the partnership. The TFACT information can isolate information that can be quickly consumed by partners on high risk attributes of a tax return. — IRS*

## Creating Efficiencies for Partners

This year, the ISAC began working with each partner to develop a Machine-to-Machine (M2M) connection to the secure ISAC platform. This process elevates the security level of data sharing by

creating secure connections between the ISAC secure platform and each partner’s secure platform. This specifically enhances partner efficiency by eliminating the need for partners to login to upload or download data and it also ensures the most secure handling of the TFACT data entrusted to the partners for their use in identifying and addressing identity theft tax refund fraud. To date, 9 partners have created the secure M2M connections, and 8 partners are in the developmental stages.

## Metrics

### User Activity and Collaboration

*This is a great community that continues to build each year...my only wish would be to have MORE states, banks and industry participants. There is such value in what we are all a part of, they are missing out!*

– ISAC User

Collaboration and information exchange within the ISAC is unprecedented in the tax ecosystem. The partnership is united on the common goal to address tax refund fraud identity theft and is committed to protecting taxpayers and tax revenue.

The Partnership-approved metrics provide qualitative and quantitative information to assess and measure progress and performance to reflect the value of the ISAC in the tax ecosystem and provide actionable information to help inform future progress and initiatives.



The ISAC currently measures its work in three categories:

- Levels of industry, state and IRS participation in the ISAC;
- Volume and quality of alert and information contributions that identify ecosystem threats; and
- Volume and quality of the ISAC’s data analysis in identifying suspected identity theft tax refund fraud.

**Participation** - Each of the 73 partner organizations and 476 users contribute a unique set of skills and valuable insight. Participation through data sharing, exchanging skills and best practices by leading training sessions, membership on committees, serving on the senior executive board and engaging in the Analysts Community of Practice (ACoP) continues to increase. The ACoP convenes nearly 440 fraud analysts from IRS, States, Industry and Financial Services Companies who share knowledge, best practices and concerns relating to Identity Theft Tax Refund Fraud. The resources each partner organization contributes show the value they gain from the partnership and the ISAC. The Analysts Community of Practice (ACoP) has developed a unique model of trust and sharing in the tax ecosystem. Each ACoP session in 2024 was represented by over 85% of the ISAC partnership.





**Collaboration** - Data shared by partners includes Industry reports of suspicious activity, called Industry Leads, state confirmed fraud, TFACT data, alerts and partner identified alerts.

**Analysis** - Partner leads, alerts, TFACT and other partner-shared data are aggregated, de-identified and analyzed by the ISAC trusted third party. This analysis is shared with partner sectors as appropriate.

**Alerts** - ISAC alerts continue to be the key to success for each partner sector in identifying and

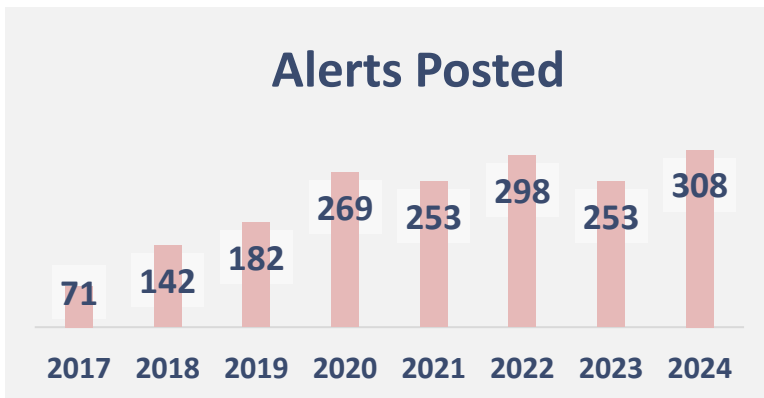
In 2016-17, the Security Summit developed a process, Industry Leads, for Industry Partners to share valuable information regarding suspicious activity. The Industry Leads are shared with States and in the ISAC where the data is aggregated, deidentified and presented in manageable data sets for states to further review.

addressing fraud in near real time. In 2024, partners posted 308 real-time alerts.

When asked, “what keeps you up at night?” partners responded, “The next scheme.”

ISAC partners saw an increase of ‘repeat’ identity theft threat activity and posted 136 related alerts this year. Some identity theft threat activity had been identified as early as 2017 and was attempted again this year. ISAC users notify others through these related alerts about activity they identified in a previous alert. Doing so allows the ISAC to track techniques and tactics

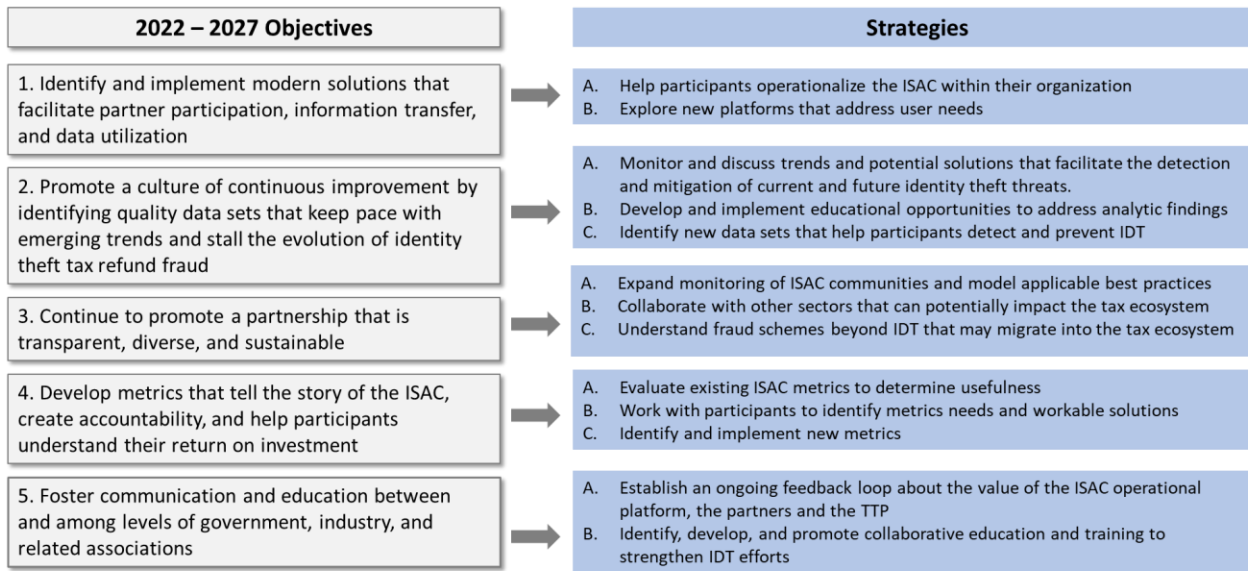
across the ISAC partnership and to define schemes that spread across the tax ecosystem.



Partners share suspicious activity in the secure ISAC portal to alert all users to unusual behavior identified within their own systems. Partners react and respond if they identify related activity – thus identifying schemes across partner platforms.

## Strategic Accomplishments

Through the 2022 – 2027 ISAC Strategic Plan, the partnership continues to evolve with new data sets, techniques, and improved efficiency to ingest and consume data within the partnership. This evolution is necessary to keep pace with the changing environment and to support the needs of the partnership. The Senior Executive Board approved and deployed a five-year strategic plan for 2022-2027. The development of the plan included gathering information and feedback from all participants of the ISAC and conducting an environmental scan of the tax ecosystem, other ISACs and the identity theft threat environment. The objectives and strategies are designed to provide a comprehensive and agile approach to combatting tax refund fraud identity theft.



Strategic Accomplishments in 2024 include:

- One of the largest accomplishments this year in relation to the strategic plan is the entire ISAC Platform moved to the cloud. The new collaboration space on the platform, designed with user feedback and input, provides a robust environment for data sharing and analysis. Partners in the ISAC are now able to post alerts, link those alerts to historical information, and share sensitive fraud information more easily and quickly. They also have a platform that is data rich and that not only helps them real-time during the filing season but gives them a wealth of knowledge post season to prepare for the next filing season. Objective 5. Strategy A
- The new platform is user friendly, providing critical linkage to partners while allowing us to more quickly and easily share and receive information.*

– ISAC User
- The ISAC Data Contribution guide has been updated to provide more data sharing opportunities for partners. Objective 5. Strategy B
  - The ISAC Privacy and Security Safeguards were updated to encompass the new cloud environments of the ISAC Platform. Objective 2 Strategy C
  - The ISAC established direct, machine-to-machine connections with multiple partner organizations for automated information sharing. This allowed more efficient operational workflows, reduced time to discovery, and improved decision-making insight. Objective 1 Strategy A
  - New data sets provided through the Taxpayer First Act enabled partners to improve customer outreach and more easily identify suspicious activity. Objective 2. Strategy C
  - The IDTTRF ISAC Partnership has become a recognized leader among public private partnerships while mentoring others, the IDTTRF gathered new best practices. Objective 5 Strategy B
  - The ISAC Partnership continues to examine other areas of the tax ecosystem that can add value to the IDTTRF ISAC mission. Objective 5 Strategy A
  - A partner feedback survey was deployed in July and feedback has been impressive. The survey feedback is used in conjunction with partner interviews and focus groups to identify what is working and opportunities for improvement and innovation. Objective 4 Strategy A

## How the ISAC Works

Information Sharing and Analysis Centers collect, analyze, and disseminate actionable threat information to their members and provide members with tools to mitigate risks and enhance resiliency. ISACs reach deep into their sectors, communicating critical information far and wide and maintaining sector-wide situational awareness. The Identity Theft Tax Refund Fraud Information Sharing and Analysis Center works through the collaboration of members using a secure platform and overseen by an active executive board in partnership with the IRS, states, and Industry to protect the tax ecosystem.



### Alerts

Post, read, and respond to alerts – reports of any tax ecosystem threats – in near real-time within the ISAC’s secure\* environment.

Alerts serve as something like a neighborhood listserv for the tax ecosystem, with immediate reports of breaches, compromised ID numbers, or other suspect data.



### ACoP

Share knowledge, best practices, and concerns related to the detection and prevention of IDTTRF through the Analysts’ Community of Practice (ACoP).

The ACoP is an active forum of analysts from all sectors who meet to share knowledge and best practices to aid in the detection and prevention of IDTTRF.



### Data and Analytics

Receive data reports and analytics daily – tailored to the partner’s organization, delivered in digestible formats, and easily viewed through visualization tools. Now includes Taxpayer First Act data.

The ISAC conducts analytics on numerous datasets, looking for suspicious activity. One dataset is industry leads (including reports of IDTTRF patterns, suspicious activity, and suspected fraud) which the ISAC aggregates and anonymizes. Dashboard metrics are updated instantly as data flows into the ISAC.

## Leadership

The Partnership’s Senior Executive Board and its committees have equal representation and includes 15 senior level representatives (five each from the IRS, State Revenue Agencies, and private sector tax industry). The Senior Executive Board:

- Provides guidance in strategic areas, including recommending operating procedures for the ISAC, membership criteria, vision, and mission.
- Communicates with IRS leadership, state revenue agencies and private sector tax organizations.
- Develops and approves procedures, activities, and communications by Partnership Committees to other parties.
- Shares topics for study and analysis and reviews results of analyses submitted by the TTP.

*Protecting the tax system and the taxpayers we serve must continue to be top of mind. While we celebrate our accomplishments, we must also remain diligent. The work done within the ISAC is essential, and the FTA membership values the collaboration, partnership, and dedication of those who continue to work diligently in the fight against identity theft and tax refund fraud. The success of the ISAC is based on the diverse knowledge, skills, and experiences that all the partners contribute. We want to thank all of our partners and MITRE for another year of hard work and dedication. We are committed to continued engagement and support as we work to protect the tax ecosystem and the taxpayers we serve. We look forward to another successful year ahead.*

– Nicolas Maduros, Esq, JD  
President, FTA Board of Trustees  
Director, California Department of Tax and Fee Administration (CDTFA)

The Senior Executive Board Co-chairs offer leadership and communication coordination for their respective sectors. As time goes on and the ISAC continues to evolve so do the leaders. The ISAC continues to demonstrate continuity and leadership by ensuring strong new leadership is ready to step into the leadership roles. Leaders who continue to provide direction and champion the cause of this important work. This year the ISAC welcomes Mark Steber as the new SEB co-chair for Industry.

- Gardy LaRochelle, IRS Co-chair; Director, Return Integrity Verification Operations (RIVO), Wage & Investment Division, Internal Revenue Service
- Neena Savage, Esq., State Co-chair; Rhode Island Tax Administrator and Immediate Past President of the Federation of Tax Administrators
- Mark Steber, Industry Co-chair; Senior Vice President and Chief Tax Information Officer, Jackson Hewitt