



April 17, 2019

Senator Mark Hass
Chairman, Senate Committee on Finance and Revenue
900 Court St. NE, H-276
Salem, Oregon 97301

Re: H&R Block's support for House Bill 2102 – Enabling the Oregon Department of Revenue to fully participate in the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center

Dear Chairman Hass,

On behalf of about 130 H&R Block retail tax offices and more than 1,000 highly trained tax professionals in Oregon, H&R Block strongly supports House Bill 2102 to better protect the state's taxpayers from identity-theft-related tax refund fraud. This bill will solidify and enhance the state's participation in, and the value received from, the public-private Identity Theft Tax Refund Fraud Information Sharing and Analysis Center ("Tax ISAC") partnership.

In January 2017, a partnership was formed between the IRS, several members of the tax preparation industry, and many states to create a formal centralized information-sharing process aimed at the prevention, detection, and overall eradication of tax-related identity theft. The Tax ISAC's purpose is to:

- Facilitate information exchange for tax administration purposes related to identity theft tax refund fraud.
- Provide a forum for participants to discuss real-time responses to such fraud schemes.
- Promote the advancement of data analysis, capabilities, methodologies, and strategies to detect, reduce, and prevent this type of fraud.

With the benefits of sharing alerts and information in the Tax ISAC, all stakeholders (including states) work in a trusted environment where they have a broader view of suspicious tax filing patterns and a secure platform to communicate this information with others—all to achieve a shared objective: to disrupt and prevent identity theft tax refund fraud.

Since 2017, the Tax ISAC has experienced much growth. And as it begins its third tax season, the increasing engagement of industry, state, and IRS participants in the Tax ISAC's work adds to our collective ability to protect the nation's taxpayers and the tax

ecosystem from identity theft tax refund fraud. For example, the California Franchise Tax Board described their 2018 filing season experience:

California has seen a tremendous amount of value in the collaboration between partners within the ISAC—especially from the alerts that we submit to the ISAC and receive from our partners within the ISAC. Over the last few years we have gained a better understanding of the alerts process, how to use them, and the value that can be realized from them. Each alert either allows us to identify if FTB has been impacted by confirmed fraud and identity theft from other states, IRS, or industry partner, or allows us to take steps to prevent the theft from occurring if it has not taken place yet.

As we work the alerts, we are looking for new data elements so we can provide information back to the ISAC. This helps to find all compromised data and tax returns related to a scheme, and sharing that information across the tax ecosystem helps prevent the fraud nationwide.

For example, one alert we tracked earlier this year started with three data points provided by another state. Using those data points, we identified two returns filed in California. Based on those returns we found additional data points and shared those via an alert in the ISAC. Four alerts later, the collaborative work of the ISAC partners fleshed out a scheme that resulted in California stopping \$270,000 in fraudulent refunds from being issued.

The Tax ISAC members and guiding Board are not solely focused on the analytical fight against cyber threats today, but also pursue a strategy of continuous improvement and enhancement. As this strategic work continues, members of the ISAC will receive the benefit of:

- The collective expertise of all members incorporating new technologies over time, like machine learning and artificial intelligence to evolve defenses and stay ahead of cyber fraudsters.
- Collaboration with top cyber experts and researchers to keep strategies refreshed and forward looking, anticipating threats coming around the corner.
- The doubling down on existing partnerships with initiatives to educate the independent tax practitioner community in basic cyber safety, such as in 2018 when roughly 3,000 tax professionals nationwide participated in a security training partnership between industry, academia, and the IRS.

H&R Block encourages passage of this legislation to enable Oregon to fully participate in the Tax ISAC and strengthen the protections in place for Oregon taxpayers and for



taxpayers across the country. For more information about the Tax ISAC, enclosed is the 2018 annual report.

Very truly yours,

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

Kathy Pickering
Vice President, Regulatory Affairs & Executive Director, The Tax Institute at H&R Block
Board Member, Tax ISAC Senior Executive Board

A handwritten signature in blue ink that reads "Jeremy Stohs". The signature is written in a cursive, flowing style.

Jeremy Stohs
Director, Government Relations, H&R Block

CC:

Revenue Committee Vice-Chair:

Sen Cliff Bentz

Committee Members:

Sen Brian Boquist

Sen Chuck Riley

Sen Kathleen Taylor