Electronic ID Pilot Aims to Bolster Authentication, Save Governments Millions During Tax Season

Colin Wood | March 7, 2016

A steady female voice came through the receiver of Brigitte Jackson's phone.

"You'll receive your refund in seven to 14 business days," the voice said.

"Yay! Thank you so much. I'm so happy!" Jackson replied.

Jackson's Georgia state tax refund was coming, and it was a big one! Jackson was already thinking of all the ways she would spend her $94 million.

A few days later, back in 2014, she received another call — her check was ready! All she had to do was drive down to her local Kroger supermarket, pick up the check, try to cash it, get handcuffed and charged with theft and conspiracy to defraud the state.

"The look on her face… for like 15 seconds, she was a $94 millionaire," said Josh Waites, director of the Office of Special Investigations at the Georgia Department of Revenue, recalling the September 2014 incident. "And then she turns around and gets handcuffed, and the look of disappointment on her face… was great."

Busting crooks like Jackson is the hunting equivalent of conking a dodo bird on the head. The government's challenge lies with prey far more adroit.

Fraudulent tax returns cost the IRS $5.2 billion in 2015 alone. Between 2011 and October 2014, the IRS blocked $63 billion in attempted refund fraud. And it's not just a federal issue. The state of Georgia, for example, blocked $312 million in attempted fraud last year, and is looking to combat the fraud by partnering with MorphoTrust — which makes most of the nation's driver's licenses — on an electronic ID (eID) pilot. The hope is to bolster the authentication process and save the government millions or potentially billions each tax season.

Last year, the company partnered with both Georgia and North Carolina to lead a two-year, 75,000-participant pilot. Funded through a $1.8 million grant from the National Institute of Standards and Technology's National Strategy for Trusted Identities in Cyberspace (NSTIC) program, the pilot will seek to prove if the technology is ready for the federal government and the rest of the states. Installation is scheduled for this month, with plans to activate the system in the latter half of 2016.

"My expectation is that this will be the new hot thing people can use to verify their identity and really to save every tax payer in Georgia money — and to save us time and get money to the right people," Waites said. "The sooner we can verify your identity, the sooner you can get your money back."

The states will work with MorphoTrust and H&R Block to promote the program's availability, which citizens of either pilot state are free to opt in to. Agencies involved in the program include the Georgia Department of Revenue, the Georgia Technology Authority, the Georgia Department of Driver Services, the North Carolina Department of Transportation and the North Carolina Department of Revenue.

Georgia's role in the pilot will be simply to connect with the system that MorphoTrust builds, Waites said, and after that, the challenge will be largely one of marketing and education. Those who choose to use this new form of authentication will go to the front of the line for their refunds, he said, which will make authentication a faster process for state workers and ease paperwork congestion during tax time.

The system works using a common technology called OpenID Connect, the same authorization framework website visitors use today when they log into a new website or app using credentials from a different website, like Facebook or Google+. Similarly, those filing for tax refunds in Georgia and North Carolina will have the option to log in using their eID, a form of identity that Mark DiFraia, senior director of market development for MorphoTrust USA, said is as trustworthy as showing a physical ID in person.

"There's a ton of money saved," he said. "We're demonstrating here at the state level that we can do something about it, and the clear and obvious outcome there is that other states could replicate the work that's been done, and even the IRS could replicate the work that's been done under these projects."

It's difficult to stop this type of fraud, DiFraia said, especially for the federal government, for which speed is a driving motivation. The best way to prevent another person from stealing someone's tax return is to file as quickly as possible, he added. But if a

taxpayer who holds an eID receives a request to authenticate their tax return application and they weren't the one who initiated that process, they'll know someone is trying to steal their return. Then, the true tax payer is, theoretically, put in control of the transaction.

Citizens will register for their eIDs online by following instructions within an eID app. First the user scans the barcode on the back of his or her physical ID, and then takes a selfie and agrees to share the information with his or her state Department of Motor Vehicles (DMV) so that a match can be verified.

"It's very expensive to in-person proof people," DiFraia said. " What we're showing here in these pilots is that we can partner with the DMVs of the nation to leverage the proofing they've already done of all of us who carry drivers licenses or state IDs, and transform that trust into an electronic ID we all use on the Internet to do business with a much higher degree of security, all while protecting the privacy of individuals."

Editor's note : *This story was updated at 2:25 p.m. on March 8, 2016, to reflect the planned tax fraud pilot rollout. We previously reported that it would go live in the summer of 2016, when it will actually go live sometime in the latter half of the year.*

http://www.govtech.com/state/Electronic-ID-Pilot-Aims-to-Bolster-Authentication-Save-Governments-Millions-During-Tax-Season.html