Tax Season Leads to Increased Risk for Identity Theft

by (ARA)

Each year consumers spend many hours preparing taxes hoping they donâ€™t owe the government money. But what many fail to realize is that the government isnâ€™t the only one who may collect their hard earned cash -- so may identity thieves. In a time where one manâ€™s trash is another manâ€™s treasure, itâ€™s important to ensure that the multitude of documents used to prepare taxes are appropriately stored or destroyed. In 2005, consumers lost nearly $57 billion to criminals who stole their identities. Although this statistic is alarming, there are ways to protect yourself from the crime, especially during tax season. While it may appear easier to file everything, paper trails are still an identity thiefâ€™s dream. Recent research conducted by Fellowes, Inc., the leading shredder manufacturer; shows nearly 40 percent of Americans believe identity theft is most likely to occur through online exchanges. In reality, Internet fraud represents only nine percent of the crime. The majority of identity theft crimes occur through paper documents and stolen information, making it crucial to properly store or destroy the sensitive documents used during tax season. â€œTax season can leave consumers with mountains of paperwork, which makes them more vulnerable to identity theft," says Kristen Gehrig, director, global marketing for Fellowes, Inc. â€œShredding is one of the easiest ways to ensure your information doesnâ€™t end up in the wrong hands, but you also need to be conscious about what documents are important to keep.â€• Simply knowing what needs to be filed or shredded will quickly alleviate potential problems. * Tax returns: The IRS has three years to challenge information in your return and six years to conduct an audit based on unreported income. Keep tax returns and supporting records, like W-2s and 1099s for at least seven years. * Investment statements for taxable accounts: Most brokerage firms and mutual fund companies send annual statements summarizing the yearâ€™s transactions. Once you have these, you should shred your monthly and/or quarterly statements. * Bank statements: Keep statements that back up information on your tax returns for up to seven years. Other bank statements can be shredded after reviewing for errors. * Credit card statements: Keep statements for big purchases like jewelry or large appliances. You might need them for warranties. If you put charitable contributions on your credit card, keep the statement for your tax records. Other monthly statements can be shredded once youâ€™ve reviewed them for errors or unauthorized purchases. * Pay stubs: While many people say to save these, itâ€™s a huge mistake. They contain everything an identity thief needs to open an account. Keep three months of history only if you are applying for a mortgage. * ATM receipts: Shred all receipts after you balance your bank statement. * Canceled checks: With no significance for tax or other purposes, these should be destroyed after one year. * Retirement plan contributions: Keep records of contributions to non-deductible individual retirement accounts, such as a Roth IRA, indefinitely. Without them, you may find yourself paying taxes again when the money is withdrawn. Some financial institutions keep records of IRA contributions, but itâ€™s best not to count on it. * Insurance policies, wills and other legal documents: These documents should be kept indefinitely. For documents you need to keep, consider storing them in a safe and accessible place, such as a fireproof box that is well hidden in your home. When destroying records, itâ€™s best to use a shredder that can slice credit cards and CDs and has confetti-cut capabilities, such as the Fellowes PS-77Cs. Confetti-cut shredders ensure that private information is reduced to small, unidentifiable pieces, making it nearly impossible for a would-be identity thief to piece the information back together. As shredders become a necessary household product, itâ€™s important to choose a shredder that not only protects your familyâ€™s identity, but also its safety. The Fellowes PS-77Cs alleviates shredder safety concerns with its SafeSense technology, which shuts down the shredder when it senses that hands are too close to the paper opening. Additionally, a few more protective measures against identity theft should be taken during tax season. If youâ€™re filing your tax returns over the Internet, make sure your computer has updated anti-virus, anti-spyware and firewall software. It is also imperative to shred all paperwork used to calculate taxes such as receipts, bank records and various forms. Finally, pay particular attention to W-2 or 1099 forms because they contain your Social Security number, which is a would-be thiefâ€™s dream. A missing form may leave you vulnerable to the crime. For additional identity theft prevention tips and information on how long to keep financial records, visit www.IDconfidence.org or check with your tax professional.