

Tax Fraud

Selfies Could Fight Tax Fraud in Alabama

A selfie could help Alabama taxpayers protect themselves from fraud and get their tax refunds faster, thanks to an app the state's revenue commissioner hopes to see spread nationwide.

The state revenue department's Alabama eID program went live just a week before the April 18 tax filing deadline and will be available for use in the extended filing season and future tax years. The program lets taxpayers confirm or reject a tax return filed in their name by taking a cell-phone photo that the system checks against state driver's license records. It links to the eID app built by MorphoTrust USA—a part of global technology company Safran SA.

"It is transformative," Julie Magee, Alabama's revenue commissioner, told Bloomberg BNA April 18.

States have worked for years, she said, to fight tax-return fraud by flagging suspicious returns and urging tax-prep software companies to use multifactor log-in prompts that make it harder to hack into accounts.

"But we have been remiss both on the state and federal level" at giving taxpayers tools to help protect themselves, she said. "I could not be more happy about having the ability to give somebody the power over the use of their personal information."

'Priority Processing' For taxpayers who use the program, the revenue department should be able to approve their returns faster because it won't have to use other, more time-consuming security procedures, Magee said.

"It will actually give you priority processing," she said.

The department hasn't begun collecting numbers yet on how many taxpayers have registered or used the eID program, Magee said. The state expects to pay \$250,000 a year to MorphoTrust, she said, but noted the company told her it expects to tier its pricing based on the size of state participating.

The goal is to battle tax fraud over the long term, she said, acknowledging widespread use won't come right away.

"Mass adoption is going to take some time," Magee said. "People like to take selfies, but it's more involved than just taking a selfie."

MorphoTrust's app prompts users to position their head in a certain way to satisfy the company's facial recognition technology.

Georgia Testing Alabama's revenue department is the first to go live with MorphoTrust's eID app, but Georgia's revenue department is testing it and also is expected to go live soon, said Mark DiFraia, senior director of digital identity at MorphoTrust USA.

One other state is testing the eID app for use by state agencies other than its revenue department, he said.

The app allows tax agencies and taxpayers to fight fraud during the back-end return processing, rather than addressing the front-end tax software providers where most efforts are focused, DiFraia told Bloomberg BNA on April 18.

"That's a big change" from the way tax fraud is being combated, he said. "If it doesn't look like a return you submitted yourself, you're going to decline it."

To participate, taxpayers download the MorphoTrust eID app on their smart phone, scan the bar code on their driver's license, and then register through the Alabama eID website by scanning a QR code on the screen.

MorphoTrust already has relationships providing technology to state driver's license agencies in more than 40 states, Magee said.

"We've got this information, but we've never really leveraged it across agencies before," she said.

Broad Uses Envisioned Confirming tax returns is only a part of MorphoTrust's goal for the eID app. The company envisions the app providing a secure log-in process for multiple websites as app adoption grows, DiFraia said.

"People can create a MorphoTrust ID and use that as a log-in and password on multiple website," he said. He described it as part of the technology industry's "crusade to end the use of usernames and passwords," which he said are prone to hacking and identity theft.

MorphoTrust developed the eID app as part of a federal grant program—the National Strategy for Trusted Identities in Cyberspace—run by the Commerce Department's National Institute of Standards and Technology.

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