

Is it safe to file your taxes online?

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Tax season. It's not a favorite time of year for most people, but the deadline for filing income taxes for many countries is quickly approaching. And, especially in areas of the world where e-filing is popular, we can expect to see a boost in the efforts of cyber scammers to take advantage of the swell in online activity and the handover of personal information.

In the United States, the Internal Revenue Service (IRS) has, in recent years, encouraged tax payers to file electronically. More Americans are now filing their returns online than ever before. When IRS e-file, the popular electronic tax return delivery service used by two-thirds of the nation's taxpayers, opened for business for this tax season on January 15, it marked 20 years of transmitting nearly 800 million individual federal tax returns, according to the IRS. Last year, 66 percent of all returns filed used the e-filing service.

What are the advantages of filing tax electronically and, most importantly, is it safe? According to the IRS, and the millions who successfully file online, the answer is yes.

“Electronic TAX filing is more and more popular every year, and most taxpayers now e-file. IRS e-file means faster refunds. It means the option to file now and pay later if you owe additional tax. It means peace of mind knowing the IRS received the return because we send an acknowledgement. Those are the reasons this has been a popular service,” says IRS Commissioner, Doug Shulman. “IRS e-file is safe, it’s easy and everyone should try it.”

The IRS claims that taxpayers who file online have a reduced error rate: one percent compared to nearly 20 percent with a paper return. It goes on to say that federal tax returns are delivered to the IRS through a “highly secure, encrypted transmission system” and that, just as with paper returns, e-filed returns are confidential.

But, don’t let your guard down just yet! While e-filing, in itself, may be safe, it’s important to remember that every time you or a family member goes online, you’re exposed to certain privacy and security risks. Cyber scammers look for any and all opportunities when you’re more susceptible to their malicious tricks. And tax season is one of these opportunities.

If you’re planning to use the Internet to e-file tax returns – or even to prepare your information for yourself or your accountant using online tools – remember that your files

contain personally identifiable information; in the hands of the wrong person, it's more than enough needed to steal your identity.

There are a number of safety precautions you can and should take to decrease your chances of running into a security issue, or of leaking your financial information and personal details to a hacker or phisher. Keep reading to learn how to prepare yourself and how to prepare your PC.

How to Prepare Yourself

Be extra vigilant about impostors - This time of year, you need to be especially cautious when it comes to phishing schemes pushing fake e-mail and attachments. Check with your own country's taxation office to determine what communications you should expect from it, if any. If you're located within the US, ignore incoming e-mail that supposedly comes from the IRS. The IRS will not initiate communication with taxpayers through e-mail; that means the IRS will not request passwords or personal information through e-mail, and it also will not send out mass e-mail alerts. You should also verify that the sites you use are secure – and that you are on a legitimate site – before entering confidential information. If you plan to prepare and file your income tax returns with the help of tax preparation software, use a reputable tax e-filing program that treats your security as a top priority.

Keep in mind, if it looks too good to be true... It probably is! Be wary of socially engineered scams designed to appeal to your desire to file quickly, easily, and to get the biggest refund back. Each year at tax season, scammers begin unleashing online tricks related to fake audits, phony refunds, and supposed tax planning help.

Beef-up your passwords - Use strong, secure passwords for any important interactions. Security analysts agree that passwords should be at least 8 characters long and made up of both letters and numbers. Quick tip: try using a memorable phrase with a year or number in it, and then take the first letter in each word to form the password. For example, the phrase "USA beat Russia to the moon in 1969" would give you the password, "UbRttmi1969."

What should you do if you have received a suspicious tax-related e-mail? In order for it to be investigated and for the proper authorities to be notified, report the issue to the organization or company that the message is purportedly from. The information in the e-mail you forward may be used to trace the host and alert authorities to help shut down fraudulent sites.

If you're located in the US, forward suspicious messages to the IRS at phishing@irs.gov; if you're located in Canada, report fraudulent communications to the Royal Canadian Mounted Police's Phonebusters by e-mail at info@phonebusters.com; if you're located in Australia, complaints can be sent to the Australian Tax Office at ReportEmailFraud@ato.gov.au. To find reporting information for other countries, you can visit your taxation organization's website – most will list contact information for how to report scams, fraud, and phishing.

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