

# SOCIAL NETWORKS A SOURCE OF INFORMATION FOR IRS, STATE TAXING AUTHORITIES AND CREDITORS: BE CAREFUL



*With the Increased Use of Social Networking Providing Personal Information of Individuals, both Tax Authorities and Creditors are Mining the Networks for Information that Helps them...And Hurts You!*

## CHATTING WITH THE IRS:

A recent trend in the internet is the use of social networking from Facebook to dating services in which people reveal tremendous amounts of information about their personal lives, assets, finances, businesses, etc. With that odd conviction that if the screen is on your desk it is like a private letter you are writing, people place on these networks information that they would once have considered personal and private. The government and businesses have woken up to the fact that examining these forums is an excellent way to investigate status of taxpayers, consumers, competitors and customers. As one expert told the writer, "A teenager is revealing more about his parents' finances in a month than the IRS could have determined in a year's worth of audit."

What this means and how to protect oneself a bit better is the scope of this discussion.

## THE SITUATION:

People are now putting massive amounts of information about their economic and personal lives on social networking web sites such as Facebook and MySpace. State and Federal tax officials are reportedly scanning the sites for tax avoiders they otherwise cannot locate.

In Nebraska, tax agents arrested a deejay after he announced on his website where he would be working on a certain day. Tax agents in other states examine chat rooms, blogs, online classified ads and search engines. They can locate addresses, changes in occupation, employer information, contact information, and other vital data.

Police and Federal agents routinely contact social networking sites to obtain information about suspects in criminal investigations and for missing children and potential child pornographers. It is important to realize that Facebook's current head of security is a retired FBI computer forensics expert.

How is this information used? In myriad ways.

In a recent custody case, a parent lost custody of his child when his Facebook page bragging about his active social life was shown to the court.

Creditors, checking purchasing patterns and statements of intentions to vacation and buy other assets on social networking can immediately cut credit lines or locate assets to attach.

One defendant in a criminal case was so foolish that he received a two year jail sentence for driving under the influence. The DA presented to the court pictures of the defendant posted on Facebook, with him at a Halloween party after the accident wearing a prison costume printed with the words, "Jail Bird." The judge was outraged. The sentence reflected that.

Businesses routinely not only examine closely any website for information about their competitors, but visit the social networks of the key executives and sales people of their competitors (and their children!) to determine future planning, economic problems within the company, etc. Credit card companies also mine such locales for information about card holders and a comment on your book that you are worried about your job or spending savings to pay for necessities can result in a reduction in your credit line...without explanation.

Divorce lawyers particularly like this mode of investigation, obtaining excellent evidence to present to a court as to the spending patterns, actual assets, and vindictiveness of the opposing party.

Even the type of purchases can effect your credit line. Some credit card companies mine your record of purchases to determine if the type of purchase (retreads for cars, groceries on the credit card, liquor and bar charges going up) indicate a credit risk and a need to reduce the credit line. Again, access to children's Facebook can reveal much information about their parent's current condition.

**Social networking...is public networking. Your friends may see your secrets. So can everyone else.**

The IRS for audit purposes is finally becoming sophisticated in use of internet information. A recent governmental report compared annual mortgage interest statements with federal tax returns. It found that a substantial number of homeowners may not be reporting all their income on their tax returns since "Their mortgage interest and basic living expenses

appear to exceed their income." Treasury Inspector General for Tax Administration, 2009-40-112.

Where would they go to determine how you are doing that and deserve a full audit? Your credit card purchases, your social networking and blogs, etc. etc. Your description of that wonderful vacation to family and friends...when your mortgage exceeds your reported income... guaranties an immediate audit.



### THE LESSON:

1. You put it on line: all those you fear will have access. Do not.
2. Your entire family is subject to the same scrutiny.
3. Posting information on line is no different than writing it on a bill board next to a free way. If you would not do one, do not do the other.
4. All your financial information is on computers. The IRS and State agencies, and many financial institutions, if they want, can usually gain access to at least enough information to allow them to compare and contrast and build up an idea of your financial picture. When combined with your chatty Facebook, the information can be revealing as to your current status, future plans...and taxes due.
5. So the next time you discuss finances with your teenage daughter listening in, saying you do not know how you will make your next credit card payment...and she, on Facebook tells her best friend...the world can now know.

### PROTECTIONS?

1. **MINIMIZE WHAT YOU PUT ON LINE. THAT INCLUDES ALL MEMBERS OF YOUR FAMILY.**
2. **IF AVAILABLE, ON SOCIAL NETWORKING SITES MAXIMIZE YOUR PRIVACY SETTINGS. BUT THAT ONLY WORKS A LITTLE SINCE YOUR FRIENDS MAY PASS ON ALL THE INFORMATION.**

3. EDUCATE YOUR EMPLOYEES AS TO THE NEED FOR PRIVACY BOTH ON YOUR WEBSITE AND ALL E MAIL/SOCIAL NETWORKING SITUATIONS.
4. DO NOT THINK DELETING INFORMATION ALREADY PUT ON ACCOMPLISHES MUCH. IT CAN BE FOUND BY ANY EXPERT.
5. REGULARLY CHECK THE INFORMATION BEING PUT ON SUCH SITES...BOTH BY EMPLOYEES AND FAMILY.
6. ABOVE ALL, ASSUME ANYTHING ON ANY COMPUTER IS KNOWN BY ALL TAXING AUTHORITIES, AGENCIES AND COMPETITORS. IF YOU WANT IT KEPT SECRET...A COMPUTER IS NOT THE PLACE TO PUT IT!!

