

Fraudulent Unemployment Claims? Steps to Take to Resolve

Labor & Employment Workforce Watch

WRITTEN BY

Laura L. Ferguson

More than six million unemployment claims have been filed in Texas since the start of the COVID-19 pandemic.¹ Unfortunately, the significant number of claims has also created an opportunity for fraudsters to try to sneak under the radar and obtain unemployment benefits using stolen identities (name, Social Security Number, and employer name, for example). In most instances, these criminals are obtaining the stolen identity information by purchasing the information off the dark web and filing as many claims as possible without even confirming whether the employee currently works for the company. A quick visit to the company's website could have revealed whether its executive officers are current employees. However, these criminals are not interested in truthfulness; they care only about the quantity of claims they can collect in a short period of time.

Employers are the first line of defense for shutting down fraudulent claims, as unemployment benefits are not approved until the expiration of the employer's response period (i.e., the period in which the employer can object to the claim for unemployment benefits). Upon receipt of a fraudulent claim, Texas employers should timely object to the Texas Workforce Commission ("TWC"). If they do, the TWC should not approve and pay the benefits and the employer's unwitting employee will not have to deal with the headache of fixing the tax reporting with the TWC.

If an employer fails to timely respond to a fraudulent claim, the employer's employee unknowingly involved may receive the following, which likely will startle him or her and cause him or her to reach out to the employer for help:

- Mail from the TWC about an unemployment claim or payment for an unemployment benefit claim that the employee did not file.
- A copy of IRS Form 1099-G tax form reflecting unexpected unemployment benefits.

The employer will then want to do the following:

- Report the fraud to the TWC via the employer portal on the TWC website at <https://apps.twc.state.tx.us/UiFraudSubmission/uifs/uifraud>.
- Notify the impacted employee that the unemployment claim was fraudulent, that there are a large number of fraudulent claims being submitted to the TWC, and that there are certain steps the employee can take in this situation, including:
 - Contacting the TWC and requesting a corrected Form 1099-G. This action will ensure the IRS receives accurate reporting so that the employee does not have to pay income taxes on the unemployment benefits the employee did not receive.

- Filing an identity theft report with the Federal Trade Commission (“FTC”) either online via identitytheft.gov or by calling 877-ID-THEFT. The FTC can help implement fraud prevention measures, including placing a fraud alert or freeze on the employee’s credit accounts, reviewing credit reports, and closing any fraudulent accounts that have been opened.
- Contacting the three major credit bureaus by phone or online – Equifax, Experian, and TransUnion – to put a freeze on credit reports.

Keep in mind that identity theft information criminals are using is likely personal information that had been breached previously and is not a result of a new or active breach that must be remedied. Most U.S. individuals may have been impacted by many past breaches, such as Anthem or Equifax, and this data is information that easily could end up for sale on the dark web. Of course, it is a good practice for any employer to review its systems to ensure they are secure.

—

¹ This article discusses fraudulent unemployment claims in Texas; however, fraudulent unemployment claims are happening across the country. As an example, see California’s COVID-19-Related Fraud Updates at https://edd.ca.gov/about_edd/fraud.htm. If an employee is impacted in a state outside of Texas, contact the applicable state agency responsible for unemployment claims.

RELATED INDUSTRIES + PRACTICES

- [Labor + Employment](#)