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GES NewsFlash

United States — Individual Taxpayer Identification Numbers to Expire After Five- Years of Non-Use



July 2, 2014

Overview

On June 30, 2014, the Internal Revenue Service issued a new policy on the expiration of Individual Taxpayer Identification Numbers (ITINs). Under the new policy, all ITINs will be subject to expiration if not used on a tax return for five consecutive years. The IRS will not begin to deactivate ITINs under this new policy until 2016.

Background

ITINs are issued by the U.S. government to people who are not eligible to obtain a Social Security Number (SSN). For many foreign nationals who come to the U.S. to work, this may include spouses or dependents who are not authorized to work in the U.S. and therefore ineligible for a SSN. Nevertheless, to report these spouses and dependents on a tax return and claim a tax deduction for them, a taxpayer identification number is required. The ITIN is the number that is issued for these individuals.

Under the previous policy announced on November 29, 2012, the IRS indicated that all new ITINs issued after January 1, 2013 would be subject to expiration after five years regardless of use. Taxpayers who continued to need ITINs would have to reapply after the five-year expiration period. ITINs issued prior to January 1, 2013 were not subject to the five year expiration period, but the IRS reserved the right to revisit the expiration policy with respect to these ITINs.

All ITINs Subject to Expiration Policy

Under the new policy, all ITINs, and not only ITINs issued after January 1, 2013, are potentially subject to expiration. However, this will only occur if the ITIN is not utilized on a US tax return for five consecutive years. If a taxpayer continues to file a U.S. tax return and uses the ITIN assigned to that person or dependent, the ITIN will remain in effect for as long as it is used.

To allow for a transition period, the IRS announced that the deactivation of ITINs under the new policy will not begin until 2016. Taxpayers whose ITINs have been deactivated will have to reapply using Form W-7 and follow the current

documentation process.

Deloitte's view

This new policy provides relief to taxpayers who require the use of ITINs for periods longer than five years. Rather than facing mandatory expiration of ITINs and reapplication, these taxpayers' ITINs will remain valid as long as they continue to file US tax returns. It also creates consistency for all ITIN holders instead of creating a different process for those who were issued an ITIN prior to or after January 1, 2013.

The new policy will cause additional burden for those taxpayers with ITINs issued prior to January 1, 2013 who may not be currently filing returns. If these taxpayers do not utilize their ITINs within the five years prior to 2016, they will face ITIN expiration and be required to obtain new ITINs when next needed.

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