

# ITINs: Practical Guidelines For Individuals

## What is an ITIN?

ITIN stands for Individual Tax Identification Number. It is a nine-digit number issued by the Internal Revenue Service (IRS) to individuals who do not qualify for a Social Security Number (SSN). The ITIN always begins with the number 9 and has a 7 or 8 in the fourth digit. For example: 9XX-7X-XXXX.

## What is an ITIN used for?

An ITIN permits individuals without a valid Social Security Number (SSN) to:

- Pay taxes (report their annual earnings to the IRS)
- Open an interest-bearing bank account.

## Can an ITIN be used for work purposes?

**No.** An ITIN cannot be used to show work authorization. The purpose of the ITIN is to assist individuals without a SSN to pay their taxes and/or open an interest-bearing bank account. Note: ITINs do not entitle the recipient to Social Security benefits or the Earned Income Tax Credit (EITC).

## Who needs an ITIN?

- Individuals that earn income in the U.S. and must file a U.S. tax return but do not have a SSN. (According to U.S. law, unless your income is exceedingly low, you are legally required to file an income tax return.)
- Spouses and dependents that are listed on a U.S. tax return but do not have a SSN. (Spouses and dependents must fill-out separate Forms W-7 and submit them together with the principal taxpayer.)
- Individuals that would like to open an interest-bearing bank account but do not have a SSN.

## Does the use of an ITIN indicate that the applicant is undocumented?

**No.** The ITIN is available to a range of foreign-born persons that are not eligible for SSNs. The IRS has stated repeatedly that an ITIN does not create an inference about an individual's immigration status.

## How does an individual apply for an ITIN?

Individuals must complete IRS Form W-7, "Application for IRS Individual Taxpayer Identification Number." This Form may be obtained from any IRS office, U.S. consular office abroad, or any Acceptance Agent. It also is available on-line at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX FORM. *Form W-7 is available in both English and Spanish.*

## What must accompany a Form W-7?

Along with the most current Form W-7, individuals must attach:

- An original valid U.S. income tax return. (Individuals are required to attach the taxpayer's original, completed tax return for which the ITIN is needed, such as Form 1040, to the Form W-7. However, there are certain exceptions to this requirement described in detail in the instructions to Form W-7.)

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- Documentation substantiating foreign status and identity for each individual. (When mailing the application to the IRS, the application must include either original documents that prove identity and foreign status, or copies of those documents that have been certified by the issuing agency, whether foreign or local, or copies notarized by a notary in the U.S. A list of the acceptable documents can be found in the instructions to Form W-7.)

### **When should individuals apply for an ITIN?**

Individuals should complete and attach Form W-7 when they file their tax returns for which the ITINs are needed.

### **How do individuals file an application W-7 with the IRS?**

In general, there are four ways of filing an ITIN application.

First, individuals can prepare the applications themselves, attach the documentation with the appropriate tax return, and send the application to the ITIN Unit at the IRS.

Second, individuals can prepare the applications themselves, attach the required documents with the appropriate tax return, and hand-deliver the applications to a local IRS office or an IRS Taxpayer Assistance Center.

Third, individuals can use the services of an “**Acceptance Agent.**” An Acceptance Agent is an individual, business, or organization (college, financial institution, accounting firm, etc.) authorized by the IRS to assist individuals obtaining ITINs. An Acceptance Agent is authorized by the IRS to meet with the applicant, prepare the Form W-7 for the applicant, and assist the applicant in selecting and attaching the correct documentation to prove identify and foreign status.

Fourth, individuals can use the services of a “**Certified Acceptance Agent.**” A Certified Acceptance Agent also is an individual, business, or organization (college, financial institution, accounting firm, etc.) authorized by the IRS to assist individuals obtaining ITINs. However, a Certified Acceptance Agent assumes greater responsibility than an Acceptance Agent for this agent is authorized under an agreement with the IRS to submit a Form W-7 on behalf of an applicant without having to furnish supporting documentary evidence to the IRS. For instance, a Certifying Acceptance Agent personally reviews the application and the supporting documentation and then attaches a “Letter of Certification” to the application stating which supporting documents have been reviewed and certifying that the application and supporting documents meet the requirements.

### **Does the IRS have a list of Acceptance Agents and Certified Acceptance Agents?**

**Yes.** The IRS has a list of Acceptance Agents on their website. National and International Certified Public Accounting Firms are listed as Acceptance Agents. Additionally, the IRS

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maintains a list of U.S. Acceptance Agents by state. Individuals can find the state list at: <http://www.irs.gov/individuals/article/0,,id=96304,00.html>.

You can also locate this list by searching for “U.S. Acceptance Agents” on the IRS website.

Note: The IRS does not delineate which individuals/organizations are Acceptance Agents and which are Certified Acceptance Agents. It is generally believed that 95% of the agents listed on the IRS website are Certifying Acceptance Agents. However, to be certain, individuals should ask any Acceptance Agent they contact whether or not he/she provides certification letters.

### **Do Acceptance Agents and Certified Acceptance Agents charge a fee?**

**Yes**, most likely, Acceptance Agents and Certified Acceptance Agents will charge a fee. Individuals should find out what the fee is before engaging their services. The fees vary depending on the organization providing the service (non-profit, charitable organization or for profit individual or organization) and the number of Forms W-7 being completed.

### **Are there other organizations that may provide assistance with ITIN applications?**

Along with Acceptance Agents and Certified Acceptance Agents, there are *Community Based Tax Preparation Programs* and *Tax Clinics* in areas across the country that assist with ITIN applications.

Community Based Tax Preparation Programs and Tax Clinics provide varying levels of assistance to low and middle income taxpayers. For instance, some provide assistance with filling out tax forms, resolving controversies with the IRS, obtaining ITINs, assisting taxpayers with audits or other IRS investigations, and some even will represent the taxpayer in U.S. Tax Court.

For a list of community-based tax preparation programs, see: <http://www.tax-coalition.org/programs.htm>. These programs may provide assistance with ITINs—individuals will need to ask.

Also, there are organizations that receive grants from the IRS to provide services to low income individuals with tax disputes with the IRS and provide education on tax rights and responsibilities to individuals for whom English is a second language or who have limited English proficiency. These Low Income Taxpayer Clinics (LITCs) may provide assistance with ITINs – individuals will need to ask. A list of the LITCs grant recipients for 2006 by state can be found at: [http://www.irs.gov/pub/irs-utl/2006\\_litic\\_grants.pdf](http://www.irs.gov/pub/irs-utl/2006_litic_grants.pdf).

You can also find this information by searching “2006 LITC recipients” on the IRS website.

### **Does an ITIN expire?**

**No**. Once an ITIN is issued, it can be used indefinitely until the person who receives it becomes eligible for and obtains an SSN, at which time the ITIN is no longer valid.

### **Once an individual obtains a SSN, does he/she still need an ITIN?**

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**No.** Once an individual receives a valid SSN, he/she no longer needs an ITIN. Individuals must notify the IRS of the new SSN. The IRS will merge the ITIN records with the individual's new SSN. Individuals also should contact the Social Security Administration and request that it merge his/her ITIN records with the new SSN.

### **Are there benefits to obtaining an ITIN and filing taxes?**

**Yes.** Some of these include:

- Compliance with U.S. tax law.
- Possible eligibility for a tax refund.
- Possible eligibility to claim the Child Tax Credit.
- Possible eligibility to claim exemptions for dependents.
- Provides a record of employers and wages earned.
- Helps to show continuous presence and good moral character in immigration proceedings.

### **Are there risks to obtaining an ITIN and filing taxes?**

When individuals file an ITIN application and complete a tax return, they give the IRS personal information. There are laws that generally prevent the IRS from sharing this information with other federal agencies, including immigration agencies. However, there is a risk that the IRS could share this information with other government agencies under some circumstances.

Also, as noted above there are four ways that individuals can file an ITIN – by mail, by going to an IRS office, by using an Acceptance Agent, and by using a Certified Acceptance Agent. One of the advantages of using the mail, an Acceptance Agent or a Certified Acceptance Agent, is that individuals will not need to enter a federal building to get to an IRS office and will not have to show a form of identification to a government official. There is an additional advantage of using a Certified Acceptance Agent, individuals applying for an ITIN show their documents proving identity and foreign status to the agent but do not have to submit them to the IRS.

### **Are there fees or costs involved with ITINs?**

The IRS does not charge a fee to process the Form W-7. However, there are costs involved in preparing an ITIN application. Some of the costs that individuals might incur include: a tax return preparation fee, costs of postage to send letters to a foreign country for current documents, translation of foreign documents, and notarization of original documents. Additionally, as noted above, individuals that engage the services of an Acceptance Agent or Certified Acceptance Agent will most likely be charged a fee.

### **How long does it take to get an ITIN?**

Individuals that qualify for an ITIN and submit a completed application, normally receive a letter from the IRS assigning them a tax identification number within four to six weeks.

### **How do individuals obtain an ITIN when they open an interest-bearing bank account?**

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ITINs serve at least two purposes in the banking context. They serve as an identifying number so the bank can keep track of a customer and they allow the bank to report interest income to the IRS.

Unfortunately, the current ITIN processing rules place individuals and financial institutions in a logistical conundrum. Individuals need an ITIN to open an account, but they cannot obtain an ITIN without showing they already have an account for which they need to report interest income.

Generally, the individual opens the account first (must be an interest bearing account) and then uses that as proof of the need to obtain an ITIN. The Form W-7 normally includes a copy of the bank signature card or a letter on the bank's stationary stating that the customer needs a reporting taxpayer ID number. Once the individual receives the ITIN, he/she must provide it to the bank so that it can be listed on the account. Some banks will even help applicants fill out Form W-7.