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Lenders and others use tax transcripts for income verification purposes.

Nov. 13, 2020



# IRS

## Department of the Treasury Internal Revenue Service

Moving to protect business taxpayers from identity theft, starting Dec. 13, the IRS will begin masking sensitive data on business tax transcripts.

The announcement provides 30 days for stakeholders to make any adjustments. The IRS began informing tax professionals of this change during the summer Nationwide Tax Forums. The agency previously masked sensitive data on individual tax transcripts two years ago.

A tax transcript is a summary of a tax return. Transcripts are often used by tax professionals to prepare prior year tax returns or represent the client before the IRS.

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characters if the name has only four letters)

- First four characters of any name on the business name line
- First six characters of the street address, including spaces
- All money amounts, including wage and income, balance due, interest and penalties

For both the individual and business tax transcript, there is space for a Customer File Number. The Customer File Number is an optional 10-digit number that can be created usually by third parties that allow them to match a transcript to a taxpayer. The Customer File Number field will appear on the transcript when that number is entered on Line 5 of Form 4506-T, Request for Transcript of Tax Return, and Form 4506T-EZ.

Here's how it would work for a taxpayer seeking to verify income for a lender:

1. The lender will assign a 10-digit number, for example, a loan number, to the Form 4506-T. The Form 4506-T may be signed and submitted by the taxpayer or signed by the taxpayer and submitted by the lender.
2. The Customer File Number assigned by the requestor on the Form 4506-T will populate on the transcript. The requestor may assign any number except the taxpayer's Social Security number or Employer Identification Number.
3. Once received by the requester, the transcript's Customer File Number serves as the tracking number to match it to the taxpayer.

More information about the masking of transcripts can be found at IRS.gov's e-Services page after Dec. 13.

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