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**Ken Berry, JD** • Jul. 16, 2014

As part of its ongoing efforts to deter identity theft, the [Internal Revenue Service](#) has issued final regulations on use of truncated Taxpayer Identification Numbers (TINs). The new regulations, which apply to those who furnish and receive payee statements and tax-related documents, generally follow proposed regulations issued last year, albeit with some modifications.

Based on the final regulations, a truncated TIN may be used in lieu of the taxpayer's Social Security number (SSN), Individual Taxpayer Identification Number (ITIN), Adoption Taxpayer Identification number (ATIN) or Employer Identification Number (EIN) on certain documents. With a truncated TIN, only the last four digits of the identifying number are displayed. The other numbers are replaced with asterisks or Xs.

Due to increasing concerns over the risk of identity theft, the IRS launched a pilot program allowing information return filers to truncate a payee's identifying number on various statements, such as Forms 1098, 1099 and 5498, for the 2009 and 2010 tax years. Subsequently, the program was generally extended for the 2011 and 2012 tax years, although certain forms were still excluded.

But the proposed regulations issued in 2013 permitted use of a truncated TIN only if it was affirmatively authorized by the IRS. Thus, there were limits on the benefits of the program. Critics pointed out these shortcomings.

Under the new final regulations, every information rule doesn't have to be separately

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However, a truncated TIN still won't be allowed for a return filed with the IRS. The IRS says the entire identifying number is needed to ensure compliance and to verify the information on the return. For example, you can't use a truncated TIN on a Form W-9 or to replace an employer's EIN on the W-2s it provides to employees.

Taxpayers may have already relied on the 2013 proposed regulations. The amendments to the specific information reporting rules are generally effective for payee statements due after December 31, 2014.

What does it all mean to you? The final regulations are generally being viewed by the accounting profession as a positive. They are expected to discourage hackers from obtaining taxpayer ID numbers and using those numbers for illegal activities. As someone who often deals with confidential and sensitive information, the extra layer of security is welcome. Of course, you may have to refer to other documents to access a client's account or double-check numbers, but the few minutes should be worth the effort.

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