

**MEMO# 23969**

November 23, 2009

## **IRS Allows TIN-Masking on Forms 1099 and 5498**

[23969]

November 23, 2009

TO: PENSION MEMBERS No. 57-09

TAX MEMBERS No. 30-09

OPERATIONS MEMBERS No. 26-09

TRANSFER AGENT ADVISORY COMMITTEE No. 85-09

PRIVACY ISSUES WORKING GROUP No. 17-09 RE: IRS ALLOWS TIN-MASKING ON FORMS 1099 AND 5498

By Notice 2009-93 (attached), the Internal Revenue Service announced a two-year pilot program to allow financial institutions to mask (or truncate) the first five digits of taxpayer identification numbers on paper statements mailed to payees on Form 1099, Form 5498 and Form 1098. The notice is effective immediately for calendar years 2009 and 2010. Comments on the pilot program are due by May 1, 2010.

Under the Internal Revenue Code and applicable regulations and instructions, payees generally must receive a copy of a tax form (e.g., Form 1099) a filer (e.g., a financial institution) files with the IRS. The form must include the identifying number of the payee. The identifying numbers for individuals – social security numbers, IRS individual taxpayer identification numbers, and IRS adoption taxpayer identification numbers – are sensitive personal information. The purpose of the pilot program is to minimize the risk that these identifying numbers could be misappropriated from payee statements and misused. In a series of letters, the Institute had asked IRS and Treasury to permit TIN-masking on tax forms mailed to individuals. [\[1\]](#)

## Pilot Program

Under the program, the IRS will treat a filer as having satisfied any requirement in Treasury and IRS regulations, forms, or form instructions, to include a payee's identifying number on a payee statement if:

1. The identifying number is truncated by replacing the first five digits of the nine-digit number with asterisks or Xs (for example, a social security number 123-45-6789 would appear on the paper payee statement as \*\*\*-\*\*-6789 or XXX-XX-6789); and
2. The truncated identifying number appears on a paper payee statement on Form 1098, Form 1099, or Form 5498 for calendar year 2009 or 2010.

The program does not apply to any information return filed with the IRS or any payee statement furnished electronically.

## Request for Comments

The IRS has asked for comment about the pilot program by May 1, 2010. Among other things, the notice asks whether IRS should require, rather than merely permit, truncation; whether truncation should be extended to paper payee statements not within the scope of this notice or to payee statements provided electronically; and whether filers should be required to include complete identifying numbers on payee statements upon request of payees. The notice also asks for comment on whether truncation creates difficulties for filers or payees.

Anna Driggs  
Associate Counsel

## [Attachment](#)

### endnotes

[1] See [Memorandum](#) to Pension Members No. 40-09, Tax Members No. 20-09, Operations Members No. 19-09, Transfer Agent Advisory Committee No. 65-09, Privacy Issues Working Group No. 11-09 [23745], dated August 31, 2009; [Memorandum](#) to Pension Members No. 25-09 [23510], dated June 5, 2009; Memorandum to 529 Plan Members No. 1-09, Accounting/Treasurers Members No. 23-09, International Members No. 11-09, Tax Members No. 11-09, Transfer Agent Advisory Committee No. 39-09; [Memorandum](#) to Pension Members No. 55-08, Tax Members No. 31-08, Operations Members No. 14-08, Transfer Agent Advisory Committee No. 53-08, Privacy Issues Working Group No. 12-08 [22882], dated September 19, 2008.

abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.