

## Final Regs on Truncating Forms W-2

For a few years we have been able to truncate taxpayers' Social Security number on Forms 1099 by blocking out the first five digits and only showing the last four. This truncation is permitted on the copies sent to the taxpayers but is not permitted on the copies that are sent to the IRS. This makes sense since IRS has to be able to match the income up with taxpayers' returns. This was permitted in an effort to help prevent a taxpayer's identification from being stolen.

A few years ago, the PATH Act of 2015 changed IRC Section 6051(a) by removing the requirement to show taxpayers' Social Security numbers on the Forms W-2 furnished to employees. In 2017 IRS published proposed regulations.

Comments received regarding these proposed regs including concerns that tax preparers may not be able to positively identify taxpayers, some states may not allow truncated forms, banks may have issues, and that the regulations did not go far enough but should instead make truncation mandatory. Now IRS has issued final regulations on truncated W-2s. The final regs contain the following:

Effective for statements required to be furnished after December 31, 2020, the copy an employer provides to employees MAY have a Truncated Taxpayer Identification Number (TTIN). This means the calendar year 2020 Forms W-2 can have truncated numbers for the Social Security number instead of the full numbers. This does NOT mean truncation is required – it is still optional. This truncation also is NOT permitted prior to the 2020 calendar year Forms W-2.

The statements that are sent to the Social Security Administration (SSA) or other government agencies must still include each employee's entire number and may NOT be truncated.

The statements can NOT truncate the EMPLOYER'S EIN.

Comment – Tax professionals often are the ones who notice when a Form W-2 contains an incorrect Social Security number. This is something we will no longer be able to do in connection with truncated W-2s. We will need to remember to advise our clients to check their Social Security statement each year to make sure their Social Security wages have been properly credited.

TD 9861, issued July 3, 2019, contains the final regulation package.

This text has been shared courtesy of David & Mary Mellem, EAs & Ashwaubenon Tax Professionals.

©2019 Ashwaubenon Tax Professionals. No reproduction of this article is permitted without the express written consent of Ashwaubenon Tax Professionals, 2140 Holmgren Way, Suite 1040, Green Bay, WI 54304, 920-496-1065.

We do not sell, give, or in any way share email addresses with anyone. If you would like to be removed from our email list, send us an email to that effect or use the word UNSUBSCRIBE in the subject line. If you know of someone who would like to be added to our list, have them send us an email to that effect or use the word SUBSCRIBE in the subject line.