

U.S. TAX ALERT



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November 2016

Your U.S. Individual Taxpayer Identification Number may expire soon!

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U.S. Individual Taxpayer Identification Numbers (ITINs) are required by the IRS if you have U.S. tax reporting obligations and you are not eligible for a U.S. Social Security Number (SSN). This requirement normally applies to Canadians who have some source of U.S. income that must be reported to the IRS. Unfortunately, these ITIN numbers are not permanent and will expire as early as January 1, 2017. In fact, individuals having ITINs with 78 or 79 as the fourth and fifth digits (e.g. 9XX-78-XXXX or 9XX-79-XXXX) can expect to receive notice from the IRS this fall advising that their ITIN will expire on January 1, 2017. (To distinguish ITINs from SSNs, note that ITINs begin with the number 9.)

Further, if you have not used your ITIN on a federal tax return in the last three years, it will no longer be valid as of January 1, 2017. For example, consider a Canadian who sold a vacation property in Florida four years ago and obtained an ITIN at that time to report the sale on a U.S. tax return. Since they did not have to file a U.S. tax return in the last three years, their ITIN has expired. They must renew the ITIN prior to selling another property in the U.S.

Even if you fall into one of the two groups above with an expiring ITIN, you need not renew your ITIN unless you are required to file a U.S. tax return after the expiry date. The IRS has indicated that, if you are only using your ITIN on information forms that are not U.S. tax returns (such as Form 1099), you are not required to renew your ITIN. In summary, if your ITIN is about to expire and you are required to file a U.S. tax return for the tax year 2016 (to be filed in 2017), you should consider your options. As of October 1, 2016, the IRS is accepting renewal applications on the new form W-7, which has a box to check for renewing an existing ITIN. The IRS has indicated that applicants for renewal need not attach the W-7 to their tax return. (In contrast, applicants for new ITINs might be required to attach the W-7.) This permits renewing now, rather than waiting until the tax return is due.

The most important consideration in renewing your ITIN is making sure you have the proper identification attached to the form W-7. Typically for Canadians, a passport is appropriate. However, you

cannot just send the IRS a photocopy of your passport. You must send either the original passport (which we do not recommend) or a properly authenticated copy. There are several ways to obtain a properly authenticated copy:

- 1) You can have the passport certified by Passport Canada. You must take your passport to a Passport Canada service location. There is a fee for this service, and it can take several days to receive the passport and the certified copy back.
- 2) You can use an IRS authorized Certified Acceptance Agent (CAA), who will certify your documents and send the certified copies to the IRS on your behalf. Since CAAs are independent of the IRS, the fees will vary.
- 3) You can take your documents to a designated IRS Taxpayer Assistance Center. According to the IRS website, appointments are available only on Tuesdays and Thursdays.

Filing your U.S. tax return with an ITIN that has already expired will delay the processing of your refund. The IRS will still consider the return to be timely filed and will still process the return, but it will not permit any exemptions or credits and will not issue any refunds. It will send a notice explaining the delay in any refund and informing you that your ITIN must be renewed. If the ITIN is not renewed, you will be liable for interest and penalties for any

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tax owed as a result of disallowed exemptions or credits and any refund will be denied.

ITINs that do not expire on January 1, 2017 will expire in a subsequent year. However, the IRS requests that applicants wait until their ITIN is due to expire before renewing. A schedule should be available soon to help taxpayers determine their timeframe for renewal.

If you are unsure about your ITIN status, or if you need help renewing your ITIN, our Collins Barrow U.S. tax teams are available to assist you.

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