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## U.S. Individual Taxpayer Identification Number Guide

In the United States, to facilitate tax collection, the Internal Revenue Service (IRS) requires that it is necessary to submit corresponding tax identification numbers when filing federal tax returns. If you plan to open a corporate bank account or a personal bank account in the United States, the tax identification number of the company's responsible person or individual is also one of the required documents. Individual identification number includes Social Security Number (SSN) and Individual Taxpayer Identification Number (ITIN).

As the ITIN application is more complicated than the process of SSN regarding the required materials and procedures. This article will focus on explaining the use of the ITIN, individuals who are eligible for ITIN, application methods, application timeframe, the change of legal name on ITIN, and the expiration and renewal of the ITIN.

### 1. Compare of the ITIN and SSN

Social Security Number (SSN) is the tax identification number for individuals who are U.S. citizens, U.S. green card holders, or temporary working residents. SSN is nine-digit numbers issued by Social Security Administration (SSA), similar to the "ID card number" which is issued by China government.

Individual Taxpayer Identification Number (ITIN) is the tax identification number for individuals who are not satisfied with the SSN application but have the responsibility for U.S. tax reporting issued by Internal Revenue Service (IRS). An ITIN is arranged in the same way as the SSN, starting with 9, with a total of 9 digits. An ITIN is valid for 5 years. If necessary, the taxpayer can re-apply for the existing number before it expires.

If you are eligible for a SSN, you must first apply for one. Persons eligible to receive a SSN are not eligible to receive an ITIN. Internal Revenue Code Section 6109 require a valid taxpayer identification number for each person listed on the tax return. If the Social Security Administration denies the applicant's request for a SSN, they will issue a letter of denial. That letter must be attached to the Form W-7 when it is submitted to the IRS, if applicable.

## 2. Individual Taxpayer Identification Number (ITIN)

ITIN issued by the Internal Revenue Service is a tax number used to process individual tax return. ITIN is a nine-digit number that always begins with the number 9.

IRS issues ITINs to individuals who are required to have a U.S. taxpayer identification number but do not have and are not eligible to obtain a SSN. ITIN is issued regardless of immigration status because both residents and nonresident aliens may have to file U.S. tax return and pay income tax under the Internal Revenue Code.

## 3. Uses of an ITIN

ITINs do not serve any purpose other than federal tax reporting at the beginning, but to attract foreign investors do business in U.S., many U.S. local banks accept ITIN as a substitute document for SSN to approve the foreigners' applications to open bank accounts or credit cards. They are issued regardless of immigration status, because both resident and nonresident aliens may have to file income tax return under the Internal Revenue Code. IRS issues ITINs to help individuals comply with the U.S. tax laws, and to provide a means to efficiently process and account for tax returns and payments for those who are not eligible for Social Security numbers.

ITIN does not authorize the ITIN holder to work in the U.S., to provide eligibility for Social Security benefits, or to qualify a dependent for Earned Income Tax Credit purpose.

## 4. Individuals who need an ITIN

If you do not have an SSN and are not eligible to obtain one, and you have a requirement to furnish a federal tax identification number or file a federal tax return, you are eligible to apply for ITIN if you fall into one of the following categories:

- (1) Nonresident alien who is required to file a U.S. tax return
- (2) U.S. resident alien who is (based on days present in U.S.) filing a U.S. tax return
- (3) Dependent or spouse of a U.S. citizen/resident alien
- (4) Dependent or spouse of a nonresident alien visa holder
- (5) Nonresident alien claiming a tax treaty benefit
- (6) Nonresident alien student, professor or researcher filing a U.S. tax return or claiming an exception

Detailed examples of who needs an ITIN:

- (1) A nonresident alien individual eligible to obtain the benefit of a reduced tax withholding rate under an income tax treaty.
- (2) A nonresident alien individual not eligible for a SSN who is required to file a U.S. Federal income tax return or who is filing a U.S. tax return only to claim a refund.
- (3) A nonresident/resident alien individual not eligible for a SSN who elects to file a joint U.S. Federal income tax return with a spouse who is a U.S. citizen or resident.
- (4) A U.S. resident alien (based on the substantial presence test) who files a U.S. Federal income tax return but who is not eligible for a SSN.
- (5) A nonresident alien student, professor, or researcher who is required to file a U.S. Federal income tax return but who is not eligible for a SSN.
- (6) A nonresident/resident alien who is the responsible person of a U.S. company to apply the business bank account in U.S. domestic banks.

## 5. ITIN Application Methods

Method 1:

Assign Kaizen to apply ITIN on your behalf. In this scenario, you can obtain at any time during the year, without mailing original identification documents to IRS. This method is the most efficient way if you plan to open individual bank account or business bank account for your company in U.S.

Method 2:

You can file application form, with your federal income tax return to IRS by mail. You must also include original identity documentation from the issuing agency to prove identity and foreign status, then the original documents you submit will be returned to you after approved.

You can also assign Kaizen to prepare your tax returns and apply ITIN at the same time. In this case, Kaizen will prepare your income tax returns, and prepare the application forms to obtain ITIN on your behalf. There is no need to mail the original identification documentation to IRS as Kaizen will certify the document you provided. Please note, the process in this option takes longer than the first method.

## 6. ITIN Application Timeframe

If you qualify to apply for an ITIN and your application is completed, you will receive a letter from the IRS assigning your tax identification number. The processing time is about 6 to 8 weeks, and it may take up to 11 weeks during tax season (Jan - April). Expedited service is not available.

If you do not receive your ITIN or any other correspondence 10 weeks after applying, you may call the IRS to find out the status of your application.

## 7. Change of the Legal name on the ITIN Letter

If the change affects your legal name, you will need to request a name change to IRS to update the records. Include an explanation of the circumstances leading to the change (marriage, divorce, etc.) and submit documentation to support your request. Examples include:

- (1) A copy of a marriage license.
- (2) A copy of a divorce certificate.
- (3) An official court related document validating the name change.

## 8. Expiration of the ITIN

ITINs that haven't been included on a U.S. federal tax return at least once in the last three consecutive tax years will expire. If your ITIN wasn't included on a U.S. federal tax return at least once for tax years 2016, 2017 or 2018, your ITIN will expire on December 31, 2019.

In addition, ITINs that were assigned before 2013 will expire according to an annual schedule based on the middle digits of the ITIN. The middle digits refer to the fourth and fifth positions of the ITIN. For example, the middle digits for 9xx-70-xxxx are "70." ITINs with middle digits (the fourth and fifth positions) "83," "84," "85," "86," or "87" will remain in effect until December 31, 2019. ITINs with middle digits "70" through "82" have expired.

If ITIN will be included on a U.S. federal tax return, the expired ITIN must be renewed in order to avoid delays in processing your tax return.

## 9. Renewal of the ITIN

If you receive notice that your ITIN is scheduled to expire and you will be filing a tax return or claim for refund in 2020, you should begin the renewal process as soon as possible. The process to renew an expiring ITIN is same with it when you first time apply the ITIN.

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