

*Everything You Need to
Know About **ITINs***

PROSPER TAX HELP 

What will you learn today?

- The meaning and purpose of ITINs
- Differentiating between resident aliens and nonresident aliens (i.e. Form 1040 vs. 1040NR)
- Who can apply for an ITIN?
- The ITIN process
- Tax Law Change & ITINs

Whether you're new to ITINs or are reviewing this as a refresher, I promise everyone today will learn something.

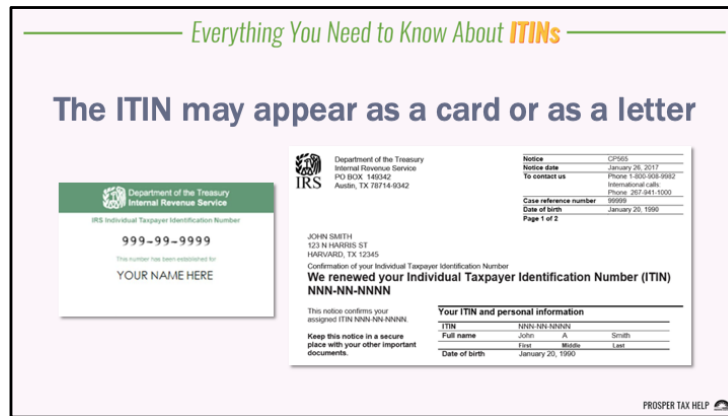
ITINs are complicated to start and have become more complicated this past year with the tax law changes. But in reviewing this training, you will be in a much better place to help us accurately inform both taxpayers and tax preparers on the process for applying for and renewing ITINs.

What is an ITIN?

- Individual Taxpayer Identification Number
- Issued by IRS for tax purposes
- Same format as SSN; begins with number 9

Everyone needs a tax ID to file taxes – for most it's your SSN. If you do not have and are not eligible for an SSN, you'll need another tax ID. This is where ITINs come in. They are a tax ID issued by the IRS for the purpose of filing a tax return.

An ITIN looks the same as a SSN; the only way you know the difference is by the first digit. For ITINs, the first digit is a 9. So when you're looking at a 1040, you can tell any tax ID that starts with a 9 is an ITIN. But an ITIN is entered everywhere on the return that the SSN is.



ITINs used to be issued as cards, but they came to be seen as too similar to Social Security cards so the IRS switched to letters.

ITINs that were issued before 2013 need to be renewed – we’ll get into this more later, but if someone presents an ITIN card, it is most likely for an ITIN issued before 2013 that will need to be renewed. When the IRS renews the ITIN, it issues a letter instead.

So if you see an ITIN letter, it is most likely for a number issued more recently (I’ve seen letters for ITINs issued as far back as 2014) or for an ITIN that has been renewed in the last several years. The letter will either say, “We have assigned you an ITIN” or “We have renewed your ITIN.” That’s how you know whether the number has been renewed.

More on renewals later.

What is the purpose of an ITIN?

- To file federal income taxes
- May also be used by other entities (loans, mortgage, bank account, to rent apartment, etc.)
- Does NOT give permission to work in U.S.
- Does NOT change immigration status
- Does NOT imply illegal presence

The IRS very clearly states that it intends for ITINs to be used for tax purposes only. That's why most people have to apply for their ITIN with a tax return: to show that they are using the ITIN for tax purposes.

Depending on the state and entity, people do use ITINs for other processes (e.g. opening a bank account, getting a loan). But we can't advise people or provide information on this.

An ITIN is only a tax ID; it doesn't give permission to work, change immigration status, etc. It also doesn't imply someone is unlawfully present, which I'll get into next.

Who may apply for an ITIN?

- Any one who is required to file US taxes
- -AND- who does not have and is not eligible for a SSN

Who should apply for an ITIN? Anyone who (1) needs to file a tax return (or appear on a tax return as a spouse or dependent) but (2) is not eligible for and does not have an SSN.

ITINs are issued regardless of immigration status. Let me first say that the tax system not does align exactly with the immigration system, so tax rules and classifications do not always match that of the immigration system.

Quiz Question

Maria has a Social Security Card that says “Valid for work only with DHS authorization.” She had a work permit but it expired last year. She asks you if she needs to apply for an ITIN now. **What do you tell her?**



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Some people have SSNs that are only valid for work purposes as long as their work permit is valid. In this case, she is not authorized to work since her work permit expired.

What does this mean for her taxes? Does she use the SSN or get an ITIN?

Answer

Maria should continue to use her SSN. However, she will not be eligible for EITC if her work permit is expired.

Once you have a SSN, you always use it for tax purposes.

One important note is that if her Social Security card says “Not valid for employment” or “Valid for work only with DHS approval” but her work permit is expired, she is not eligible for EITC. There is a document on CTC Resources titled “How to indicate when a return is ineligible for EITC” to walk you through how to remove EITC from applying to a return.

To File a Form 1040, you must be either:

- A U.S. citizen
- A lawful permanent resident (green card holder)
- A resident alien who meets the substantial presence test

Those who file Form 1040 are taxed on their worldwide income.

Time to talk about resident aliens and nonresident aliens because it is crucial to evaluating whether we can help the taxpayer with their ITIN.

Generally speaking, to file a regular 1040 in the US the **primary taxpayer** must be either a US citizen, a lawful permanent resident, or a resident alien who meets the substantial presence test. Basically, you have to be present in the US a minimum number of days in order to file a 1040 as a resident alien.

If you do not meet the SPT, you are considered a nonresident alien and cannot file a Form 1040.

We'll come back to the substantial presence test in a minute.

To File a 1040NR means:

- You are not a U.S. citizen
- You are not a green card holder
- You did not meet the substantial presence test for that tax year
OR you are present in the US on a type of visa that exempts you from the substantial presence test
- Those who file Form 1040NR are **ONLY** taxed on their U.S. source income.
- **We have a special internal program for some 1040NR returns.**

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To file a 1040NR for nonresident aliens, the **primary taxpayer** is not a US citizen, not a green card holder, and didn't pass the substantial presence test OR is exempt from it.

More on this next. We'll talk a little later about who is exempt from the substantial presence test.

Quiz Question

Leonardo is a 57-year-old green card holder from Mexico. He lives and works in the US much of the year but spends some months each year at his home in Mexico. **Does he file a Form 1040 or Form 1040NR?**

To know which form Leonardo files, ask yourself: Is he a US citizen, green card holder, or does he meet the substantial presence test?

Answer

Leonardo is a green card holder. He files a Form 1040.

To know which form Leonardo files, ask yourself: Is he a US citizen, green card holder, or does he meet the substantial presence test? Since Leonardo is a green card holder, you stop there. He files a Form 1040 and reports all worldwide income on his tax return.

Substantial Presence Test

You are considered a U.S. resident for tax purposes if physically present in U.S. for at least:

- 31 days during 2019 AND
- 183 days during 3-year period of the tax year and 2 years immediately before the tax year, counting:
 - All days present in 2019
 - 1/3 of days present in 2018
 - 1/6 of days present in 2017

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To refresh, we only do the substantial presence test for the primary taxpayer if she is not a US citizen and not a green card holder.

The **primary taxpayer** must have been here at least a month in 2019 and also at least 6 months in the most recent 3 years, counting all days in 2019, 1/3 of days in 2018, and 1/6 of days in 2017.

So basically, if someone arrived in the US in 2019 but was present for more than 6 months, that person should meet the substantial presence test. That's at least 31 days in 2019 and also at least 183 days counting all days in 2019.

It gets more complicated if the taxpayer came and left in the last several years. In that case, you'd need to do more math. Let me assure you that we don't often have to do the substantial presence test.

To summarize, if a taxpayer meets the substantial presence test, typically she is a resident alien. If she is a resident alien, she files a Form 1040.

Quiz Question

Rosalía arrived in the U.S. with her two children on July 3, 2019 and has not left the country since then.

- **Did she pass the substantial presence test?**
- **Is she a resident alien or nonresident alien?**
- **Does she file a Form 1040 or Form 1040NR?**

Answer

Rosalía arrived July 3, 2019.

July 3, 2019 – Dec 31, 2019 = 181 days

- **Did she pass the substantial presence test?** No.
- **Is she a resident or nonresident alien?** Nonresident.
- **Does she file a Form 1040 or Form 1040NR?** 1040NR.
- **Can we prepare the return?** No.

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Answer:

Rosalía did not meet the SPT. (She was present 31 days in 2019 but then only 181 days in 2019 toward the requirement minimum of 183.)

Since she is not a US citizen, not a green card holder, and didn't meet the SPT, she is a nonresident alien.

She files a Form 1040NR for tax year 2019.

So if someone has been here well over 6 months in 2019, they've met the SPT. But if they were present somewhere close to 6 months, you may need to count the days to know for sure.

Note: the 1040 vs. 1040NR test is something that can change from year to year. Take Rosalía: in 2019 she has to file a 1040NR. But if she continues to live in the US in all of 2020, she's now a resident alien and files a 1040. People's situation and status can change across years.

Caution: F, J, M, and Q visas

- Some students and teachers are present in the U.S. on F, J, M, or Q visas
- Taxpayers on these visa types are “exempt” from the substantial presence test for a certain number of years
- This means they are considered nonresident aliens for those years and file a 1040NR
- After a certain number of years, they begin counting days for SPT and can be considered resident aliens & file Form 1040

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We have a screening tool called the “1040 vs. 1040NR Screening Tool” available on CTC Resources to help you navigate this situation.

We sometimes get foreign students or teachers that want to do their taxes with us. Taxpayers present on these visas are exempt from counting days present in the US for purposes of the substantial presence test. This means they don’t meet the substantial presence test and must file a 1040NR. In filing a 1040NR, they are only taxed on their US source income.

If they stay here a number of years (more than 2 years for some categories of visas or more than 5 years for other categories), they start counting their days toward the SPT and, if they meet the test, are considered resident aliens for that year and file a Form 1040.

We have to be extra careful when we meet a taxpayer on a F, J, M or Q visa because we need to correctly identify whether the taxpayer is considered to be a nonresident or resident alien for that tax year and, subsequently, whether they would file a 1040 or 1040NR.

Beginning in tax season 2020, **we now are preparing 1040NRs on a limited basis through our new Foreign Student and Scholars Program**, which has a referral process similar to that of Special Tax Services. This is to ensure that someone with the right expertise prepares the return. We created the 1040NR Screening Tool to help us determine when we can refer the taxpayer internally or whether the return is out of scope for VITA and needs to be referred to a paid preparer.

If you are talking with a taxpayer and have any doubts about whether they should file a 1040 or 1040NR, please submit a referral for the taxpayer to the Foreign Students and Scholars program. This program will provide a definitive answer for the taxpayer and help them navigate their next steps in the tax process (even if we are not ultimately able to prepare the return).

Please note: **the Foreign Students and Scholars program** (as part of the VITA program overall) **can only prepare 1040NR returns for taxpayers present on an F, J, M, or Q visa**. Please refer to the “1040 vs. 1040NR Screening Tool” for more information on specific scenarios.

Caution: Form 1042-S

Form 1042-S Foreign Person's U.S. Source Income Subject to Withholding **2019** CMB No. 1545-0095
Department of the Treasury Internal Revenue Service **Copy A** for Internal Revenue Service

Go to www.irs.gov/Form1042S for instructions and the latest information.

1 Income 2 Gross income code	3 Chapter indicator. Enter "0" or "1"	4a Exemption code	4b Tax rate	4c Exemption code	4d Tax rate	13a Recipient's U.S. TIN, if any	13b Recipient's foreign tax identification number, if any	13c LOB code				
5 Withholding allowance	6 Net income	7a Federal tax withheld	7b Check if federal tax withheld was not deposited with the IRS because reserve procedures were applied (see instructions)	7c Check if withholding occurred in subsequent year with respect to a partnership interest	8 Tax withheld by other agents	9 Overwithheld tax repaid to recipient pursuant to adjustment procedures (see instructions)	10 Total withholding credit (combine boxes 7a, 8, and 9)	11 Tax paid by withholding agent (amounts not withheld) (see instructions)				
12a Withholding agent's EIN	12b Ch. 3 status code	12c Ch. 4 status code	13d Recipient's account number	13e Recipient's date of birth (YYYYMMDD)	14a Primary Withholding Agent's Name (if applicable)	14b Primary Withholding Agent's EIN	15 Check if pro-rata basis reporting	15a Intermediary or flow-through entity's EIN, if any	15b Ch. 3 status code	15c Ch. 4 status code	15d Intermediary or flow-through entity's name	15e Intermediary or flow-through entity's EIN

X HELP


This form is most often presented to a taxpayer who files a 1040NR as a nonresident alien. Basically, the US has tax treaties with different countries, and this form reflects the tax treaty benefits available to the taxpayer based on their country's agreement with the US.


A Form 1042-S *could* be given to a taxpayer who needs to file a 1040, but most often it will be presented to us by a foreign teacher or student who needs to file a 1040NR. So if the taxpayer pulls out a Form 1042-S at intake, we know it is very likely they need to file a 1040NR and that we cannot prepare their return in the regular tax program. (Note: even if the taxpayer will file a 1040, if a 1042-S is presented you must refer the return via the Foreign Student and Scholar 1040NR Referral Form.)

Everything You Need to Know About ITINs

When do we have this conversation?

Keep an inventory:	Y / N
Are you present in the U.S. on an F, J, M or Q visa?	Y / N
Did you arrive to the United States in 2019?	Y / N

 If you answered "YES" to any of the questions above, please return to the front desk for assistance!

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We don't go about asking every single taxpayer if he is a citizen or green card holder. We only ask in a couple situations.

We've added two questions to the coversheet that will be on each clipboard at the site (on top of the intake paperwork and given to each taxpayer to review). These are to catch people here on a F, J, M, or Q visa and those who arrived to the US in 2019.

If a taxpayer answers yes to either question, use the 1040 vs. 1040NR Screening Tool to help determine if we can prepare the return (and whether the taxpayer needs to be referred internally to the Foreign Students and Scholars program).

When in doubt, get a second opinion from a VLT or the tax staff!

1040NR Resources

- Tax staff can refer via Foreign Student and Scholar (1040NR) Referral Form
 - A tax center volunteer with expertise in these returns will contact the client within 1 week.
- Otherwise, refer to paid preparer.

The Foreign Students and Scholars program (as part of the VITA program overall) can only prepare 1040NR returns for taxpayers present on an F, J, M, or Q visa. We unfortunately still don't have great outside resources for when a taxpayer needs to file a Form 1040NR and is not present on one of those visas.

Also, as a side note, the rules for filing status and claiming dependents are totally different on Form 1040NR. So we should not provide any advice to taxpayers who need to file a 1040NR about ITINs or any other aspect of the return.

Form 1040: Spouses & dependents

- The Form 1040 rules we just talked about **apply only to the primary taxpayer**
- The taxpayer's **spouse** can live anywhere and choose to file jointly with the primary taxpayer
- The **dependents** must live in the U.S., Mexico, or Canada (if not a citizen or green card holder)

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First we determine whether the primary taxpayer is filing a Form 1040 or Form 1040NR.

Once we determine the taxpayer is a filing a Form 1040, we then determine who he can file with and which, if any, dependents he can claim.

When talking about ITINs, we always have to first start at the tax return. To know who can apply for an ITIN, we have to first determine what the tax return will look like.

Who can we help apply for an ITIN?

- A primary taxpayer who
 - Needs to file a US tax return
 - Does not have and is not eligible for a SSN
 - Meets the substantial presence test
- A Spouse without an SSN
- Dependents without SSNs who live in U.S., Mexico, or Canada

Quiz Questions

David came to the US at the end of 2018 (without a visa) and has lived here since. His wife and 3-year-old daughter live in Honduras. He wants to file with his family and get everyone ITINs.

Is he a resident or nonresident alien?

Does he file a Form 1040 or Form 1040NR?

Can he file with his wife and claim his daughter?

Who needs to apply for an ITIN?

Answer

Is he a resident or nonresident alien?

Resident alien.

Does he file a Form 1040 or Form 1040NR?

1040.

Can he file with his wife and claim his daughter?

He can file jointly with his wife. He cannot claim his daughter.

Who needs to apply for an ITIN?

David (and his wife if they file jointly).

David is not a US citizen or green card holder, so he needs to meet the substantial presence test. David meets the substantial presence test, so he is considered a resident alien. He files a Form 1040.

David's wife in Honduras is a nonresident alien. She does not need to file jointly with him. But she can elect to be treated as a resident alien for tax purposes and file jointly with him. It's important to note that in this case, they are both taxed on their worldwide income. So if his wife is earning money in another country, they will need to report that on their US tax return.

If they file jointly, they will both need to apply for an ITIN. More on that to come.

Since David's daughter does not have a SSN, she must live in the US, Mexico, or Canada in order to be claimed as a dependent. Since she lived in Honduras in 2019, he cannot claim her as a dependent.

Since David can file jointly or separately from his wife and cannot claim his daughter as a dependent, his filing options are Married Filing Jointly and Married Filing Separately.

Legal issues

- Compliance with the law
- Confidentiality – protected under IRC 6103
- Legal right to work or live in U.S.
- Effect on immigration status
- Effect on public benefits

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As I mentioned earlier, ITINs are a tax ID for those who need to file and don't have and can't get a SSN. It doesn't mean someone is unlawfully present, but many of our clients are undocumented and do need an ITIN in order to file a tax return.

Compliance with the law – this is where we need to remember that the tax system does not mirror the immigration system. The priority for the IRS is that you comply with US tax laws to report your earning and pay what you owe, if anything. ITINs exist to support compliance with the law.

Question: by completing a Form W-7, aren't I helping this person engage in illegal activity?

- No. IRS states: "ITINs are issued to help individuals comply with US tax laws, and to provide a means to efficiently process and account for tax returns and payments for those not eligible for Social Security Numbers." So if a person works here, needs to file taxes, and doesn't qualify for a SSN, you are helping them comply with the law.

The IRS's strict confidentiality rules prevent it from sharing personal taxpayer information with U.S. Immigration & Customs Enforcement. These confidentiality rules can only be changed by action from Congress or the courts and cannot be changed by administrative regulations or executive orders.

- ITIN info is protected under IRC 6103. The IRS does not report ITIN info to immigration authorities unless the client is under investigation for a crime. Federal agencies requesting ITIN information must first get a court order from a federal court.

[From Feb 2018 webinar] It is possible that Congress or Trump Administration could make change to existing laws and regulations. Weighing the risks associated with renewing ITINs, requesting an ITIN for the first time, and filing taxes with an ITIN:

- If you already have an ITIN, the IRS already has your information. As such, you are not necessarily increasing your exposure by renewing your ITIN or filing taxes with an ITIN unless you have recently changed your address.
- Not all ITIN filers are undocumented, so filing taxes with an ITIN does not confirm immigration status.
- Filing taxes can be useful in future immigration proceedings in the event that you are able to adjust your status. ITIN filings can serve as proof of income, residence in the US, "good moral character," and whether you are married.

An ITIN does not affect a client's legal right to work or live in the US.

An ITIN does not allow access to government benefits.

How do you apply for an ITIN?

- Original tax return
- Form(s) W-7 for each ITIN applicant
- Original ID documents to prove identity and foreign status

We have to include a tax return with an ITIN application. This is because the IRS wants to confirm that the ITIN is being issued for tax purposes.

The return can be an amendment (e.g. filing an amendment to claim a dependent and apply for an ITIN for the dependent).

You can also include multiple years of returns with the application.

Quiz Question

Leidy comes in to your tax site and asks you if she can apply for an ITIN. She arrived to the U.S. in February 2020 and just started working, but her boss is asking for an ITIN. (She is not eligible for a SSN.) Her boss will later issue her a Form 1099-MISC.

What do you tell her?

Answer

She can apply for an ITIN when she does her taxes in 2021.

What do we know? We have to submit the ITIN application with a tax return. What tax return would she be filing? Since Leidy just arrived to the US in February 2020, she can't file a return for 2019 and is not yet able to apply for an ITIN. She will need to wait to apply until she does her taxes in 2021 to report income earned in 2020.

An ITIN does not grant authorization to work. So while Leidy's boss may be requesting the ITIN as a tax ID, that doesn't change the fact that she can only apply for the ITIN if she has a tax return to submit.

ITIN Renewals

- ITINs now expire on a rolling basis
- They also expire if not used on a tax return for any of the three most recent tax years (i.e. An ITIN not used for TY 2016, 2017, 2018 expires 12/31/19)
- Same process as an ITIN application, except that you can submit a renewal without a tax return
- The ITIN assigned to a person does not change

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The IRS requires ITINs issued before 2013 to be renewed.

The IRS also said if you don't use it in any of the three most recent years, it expires. Put simply, if you did not file returns for tax years 2016, 2017, or 2018, your ITIN expires on 12/31/2019.

The ITIN renewal process is the same as the ITIN application process. The main difference is that you can generally submit a renewal without a tax return. (Exception: the IRS now requires renewals for spouses and dependents living outside the US now to be submitted with a tax return.) But during the filing season, most people coming to the tax centers need to file a return, so our process involves getting the tax return ready to then submit to the IRS along with the ITIN application or renewal.

The ITIN never changes. It's like a SSN in that regard – once you have one, the number never changes. As a side note, if someone had an ITIN and recently got a SSN, we would want to use the SSN. The client would need to provide the ITIN and SSN information to the IRS so it can consolidate her filing history under the new SSN.

Timeline for renewing an ITIN

- Expires on 12/31 of the tax year.
- You can renew before or after the ITIN expires.
- It is quicker to renew before expiration.
- Once your ITIN has expired, you must renew before filing a return **for any year**.

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Like I said, an ITIN renewal does not need to be done with a tax return. So many people whose numbers were set to expire at the end of 2019 renewed their ITINs in advance this summer to avoid a delay during the filing season.

And whether you renew it before it expires or well after it's expired, the process is the same. The fact that the ITIN is "expired" doesn't impact the process. The only difference is that renewing your ITIN in advance makes your tax return process go like normal, whereas a tax return submitted with a renewal takes much longer to be processed by the IRS. More on that soon.

If one person has to renew, others in the tax household can renew ITIN at same time even if not up for renewal. However, if you file as single and your number is not yet up for renewal, you have to wait until your number is set to expire.

Note: you only renew an ITIN if there is a reason to file a return or claim that person on a return. If your number expires and you don't need to file a return, you don't need to renew your ITIN.

On a related note, expiration does not affect ITINs used for bank accounts, mortgages, loans, drivers licenses, health records, etc. As I said before, once you have an ITIN, the number assigned to you never changes. The validity of the number only impacts the tax process.

What numbers are expired?

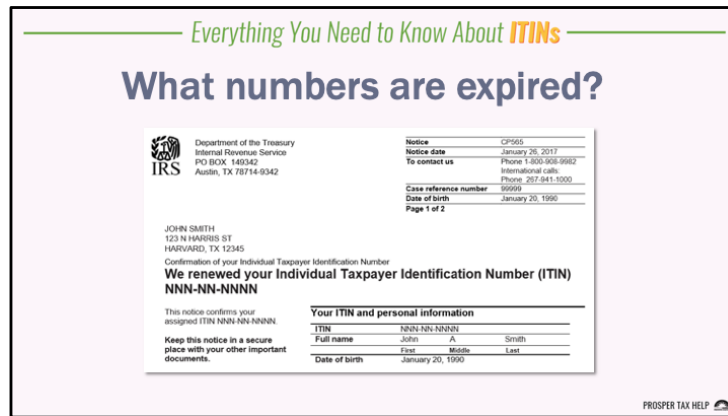
Middle digits 70 – 87 have expired. (e.g. 9xx-86-xxxx)

- Expired 12/31/16: Middle digits 78, 79
- Expired 12/31/17: Middle digits 70, 71, 72, 80
- Expired 12/31/18: Middle digits 73, 74, 75, 76, 77, 81, 82
- Expired 12/31/19: Middle digits 83, 84, 85, 86, 87

IRS publicizes which numbers expire – the system is based on the middle digits. So since 2016, above are all the middle digit combinations that have expired each year. Many of these numbers have been renewed. But if someone hasn't filed since the number expired, they would need to renew this year in order to file a return for any year.

The IRS sends a letter in July to taxpayers with those middle digits that are set to expire that year. It sends the letter to the last address on file and lets the taxpayer know someone in their family needs to renew.

Now if someone hasn't filed in the last 3 years, it's possible that their address on file is not up-to-date and they wouldn't receive a letter from the IRS notifying them that their ITIN is going to expire.



IRS publicizes which numbers expire – the system is based on the middle digits.

IRS sends taxpayer a letter in second half of year (at address on file) notifying taxpayer to renew. Can renew before expire on December 31st or can renew with tax return during regular filing season once has expired.

If someone not filed in the last three years, likely not up-to-date address on file and not receive the letter that going to expire

We did a great job last year of catching expired ITINs; let's keep it up!

Quiz Question

Maria is single and has not filed a tax return for several years. Her ITIN is 943-87-1101 and she tells you she only wants to file a return for 2017.

What do you tell her?

Answer

You first confirm she has not yet renewed her ITIN. Assuming she has not, you tell her she will need to renew her ITIN in order to file a tax return for any year.



If someone needs to apply for an ITIN, it's straightforward. The person will not have an ITIN and SSN and need to file a return (or be claimed on a return.) You'll confirm the person does not have and is not eligible for a SSN and then follow the steps for an ITIN application. More on that to come.

How do we know if someone needs to renew their ITIN? Check their ITIN card or letter. If the middle digits are any of the ones previously mentioned, ask the person if he has renewed his ITIN already. If not, he'll need to renew in order to file a tax return for any year. The reason why we ask if they've already renewed is because sometimes the taxpayer will have renewed their ITIN and received the renewal letter but left it at home and instead brought the old card or letter.

We will have these yellow, half-page laminated materials at intake at the sites. They are to help you remember which numbers need to be renewed. It isn't always easy to know if someone's ITIN is expired because of not filing for several years, but some people may already know. Otherwise, you can ask them the question as it appears on this document. And we have this document in English and Spanish to aid you in your conversations with clients.

Everything You Need to Know About **ITINs**

How do we fill out the envelope?

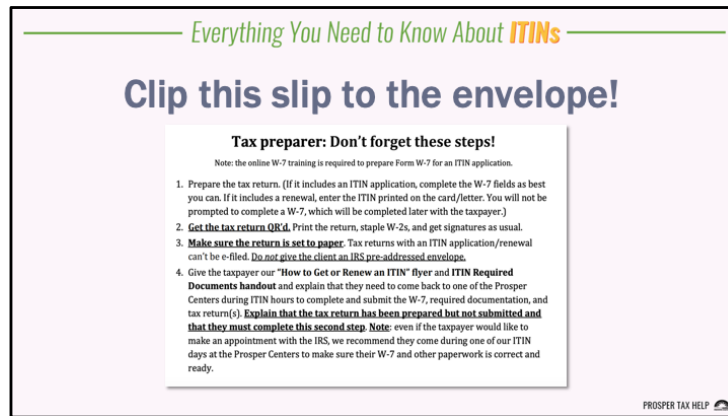
For an ITIN Application:

<p># <input type="checkbox"/> 000-00-0000 ITIN APPLICANT</p> <p>Taxpayer _____ First _____ Last _____</p> <p><input type="checkbox"/> Basic <input type="checkbox"/> HSA <input type="checkbox"/> W7 APP <input type="checkbox"/> Military</p> <p>LIASON: _____ TRANSLATOR: _____ PREPARER: _____ REVIEWER: _____</p>	<p>TAX YEAR _____</p> <p><input type="checkbox"/> APPT _____ SITE _____ DATE</p>	<p>Intake Notes</p> <p><i>Paper return - ITIN application</i></p> <p><input type="checkbox"/> ITIN Renewal <input checked="" type="checkbox"/> Spanish <input type="checkbox"/> Return Visit <input type="checkbox"/> ASL <input type="checkbox"/> Amendment</p>
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For an ITIN application, you would select “W7 Applicant” to indicate the W7 certification is needed. You would likely also select Spanish.

You only mark the X under the field for the SSN if the primary taxpayer is applying for an ITIN. This is because we normally put the SSN or ITIN in that field and this explains why there would be no number there. ITIN applicants will end up submitting their tax return without an ITIN and the IRS processes and issues the number after the tax return is submitted.



Once you identify a return contains an application and/or renewal, paperclip the yellow, laminated half-page document to the processing envelope and put it in the queue. This is really important to signify to the preparer that the return contains an application or renewal AND to make sure the preparer knows how to handle the return.

The back side of the half-page handout lists all the important steps to follow with ITIN applications and renewals:

- Prepare the return using the existing ITIN number if it's a renewal. If it's an application, the preparer needs to have taken the W7 certification to know what number to enter instead and how to complete the W7 form that generates in the software.
- Set the return to paper and get it QR'd. Print the return, staple W-2s, and get signatures.
- Once you've completed the return, this is where the steps change. The client is not mailing in the return like they normally would for a paper return. **Do not give the client a pre-addressed envelope.**
- Give the client the tax return, the handout on our ITIN days, and the document listing which original documents are required for ITIN applications/renewals. The client should come and see us during ITIN hours. More to come on this.

Quiz Question

You're preparing a return for Alex. His ITIN has expired and he has not yet renewed it. You explain the renewal process to him. He says he'd prefer to E-file today to get his refund sooner and then renew his ITIN after that. **What do you tell him?**

Answer

Alex must renew his ITIN in order to file for any year. If he submits a return without a renewal, he will not get the refund he is expecting.

Quiz Question

Mercedes sits down at intake and explains she has never filed before. You determine she will need an ITIN. A volunteer tells her she needs to go apply for the ITIN and then come back to prepare her return
What do you tell the volunteer and Mercedes?

Answer

Mercedes must first get her tax return prepared (W-7 certification is required). The preparer will then give Mercedes the handouts so she knows when ITIN hours are and what to bring. Janet will meet with her to authenticate her documents and get her ITIN application and tax return submitted to the IRS. When the IRS assigns Mercedes her ITIN, it will process her tax return.

Reminder: What do you need for an ITIN Application or Renewal?

- 1) An original tax return
 - Prepared at the tax site
- 2) A Form W-7 for each ITIN applicant
 - Completed with Janet on ITIN days
- 3) Original ID documents to prove identity and foreign status for each ITIN applicant
 - Authenticated by Janet on ITIN days

Again, what are the components of an ITIN application or renewal?

The tax return, the W-7 for each person applying or renewing, and the original ID documents..

Steps

- Prepare the tax return and get it Quality Reviewed.
- Send clients to ITIN days with:
 1. Original signed tax return (by both spouses if MFJ)
 2. Original identification documents
- Janet will meet with the family, authenticate the original documents, and mail copies of the documents with the original tax return to the IRS.

Since we can now authenticate documents (to then mail copies to the IRS along with the W-7 and tax return), we are the best option for clients.

Once submitted to the IRS...

- The IRS will process and (hopefully) approve the ITIN applications/renewals within two months. Clients will get their ITIN letters in the mail.
- The IRS will then process the tax return. They will then release the refund or send a letter to the client with the updated balance due.

ITIN submission options

- Visit a Certified Acceptance Agent – We are one!
 - CAA authenticates IDs, mails copies
- Make an in-person appointment with the IRS
 - Present original documents during appointment
 - Each applicant must be present
- Mail original documents to the IRS
 - Documents are returned by mail in two months

PROSPER TAX HELP 

Even though we are the ideal submission option for clients, we need to know about the other options available to clients.

This is for several reasons:

- **We cannot fully meet the demand.** Janet is the only person authenticating documents, and we have ITIN hours only twice a week. We will provide more information later in the season, but if clients are not able to be seen on ITIN days because of heavy client traffic, they have the option to request an extension of time and come see us in the summer to complete the process. We help with ITIN applications and renewals year-round.
- **We will still need to mail in the original documents for anyone living in another country.** This is because we need to do an interview with everyone we authenticate documents for, and we can't reasonably interview clients who are not present at the office.

Everything You Need to Know About ITINs

Required IDs: Primary & Spouse

The following documents are required for each ITIN application or renewal:
- All documents must be original and unexpired -

FOR THE PRIMARY TAXPAYER	FOR THE SPOUSE																				
<p>Choose one of the following options:</p> <ul style="list-style-type: none"> - Passport -or- - Any two documents from this list: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Birth certificate</td> <td style="width: 50%;">Via issued by the Dept of State</td> </tr> <tr> <td>National ID card</td> <td>USCS photo ID</td> </tr> <tr> <td>Foreign voter's registration card</td> <td>US driver's license</td> </tr> <tr> <td>Foreign driver's license</td> <td>US military ID</td> </tr> <tr> <td>Foreign military ID</td> <td>US state ID</td> </tr> </table> <p>Most common examples include:</p> <ul style="list-style-type: none"> - Passport only -or- - Birth certificate and National ID card (e.g. matricula consular) -or- - Birth certificate and Foreign voter's registration card -or- - National ID card and Foreign voter's registration card 	Birth certificate	Via issued by the Dept of State	National ID card	USCS photo ID	Foreign voter's registration card	US driver's license	Foreign driver's license	US military ID	Foreign military ID	US state ID	<p>Choose one of the following options:</p> <ul style="list-style-type: none"> - Passport -or- - Any two documents from this list: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Birth certificate</td> <td style="width: 50%;">Via issued by the Dept of State</td> </tr> <tr> <td>National ID card</td> <td>USCS photo ID</td> </tr> <tr> <td>Foreign voter's registration card</td> <td>US driver's license</td> </tr> <tr> <td>Foreign driver's license</td> <td>US military ID</td> </tr> <tr> <td>Foreign military ID</td> <td>US state ID</td> </tr> </table> <p>Most common examples include:</p> <ul style="list-style-type: none"> - Passport only -or- - Birth certificate and National ID card (e.g. matricula consular) -or- - Birth certificate and Foreign voter's registration card -or- - National ID card and Foreign voter's registration card 	Birth certificate	Via issued by the Dept of State	National ID card	USCS photo ID	Foreign voter's registration card	US driver's license	Foreign driver's license	US military ID	Foreign military ID	US state ID
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PROSPER TAX HELP

Refer to “ITIN Document Requirements” on CTC Resources for detailed information on what documents can be submitted for each applicant. (It is available in English and Spanish and will be printed at the sites to give to clients.)

All documents submitted must be original and unexpired. If it doesn't have an expiration date (like some older voter registration cards from Mexico), we can't use it. The birth certificate does not need to have an expiration date, though.

For the taxpayer and spouse, you can submit the passport alone OR two documents from the list. Most common examples include birth certificate and national ID card (“matricula consular”) or birth certificate and voter registration card.

Everything You Need to Know About **ITINs**

Required IDs: Dependents

FOR EACH DEPENDENT

Before proceeding with the W-7 application for a dependent from who lives outside of the United States, make sure they qualify for an allowable tax benefit.

IF THE DEPENDENT LIVES IN THE UNITED STATES:	IF THE DEPENDENT LIVES IN MEXICO OR CANADA:				
<p>For a dependent under 6 years old, choose one of the following options:</p> <ul style="list-style-type: none"> - Passport with date of entry -or- - Passport -and- a US medical record *, US school record #, US state ID card that lists the applicant's name and US address, or US visa -or- - Birth certificate -and- medical record from the US * <p>For a dependent 6-17 years old, choose one of the following options:</p> <ul style="list-style-type: none"> - Passport with date of entry -or- - Passport -and- a US school record #, US state ID card or driver's license that lists the applicant's name and US address, or US visa -or- - Birth certificate -and- school record from the US * <p>For a dependent 18 years and older, choose one of the following options:</p> <ul style="list-style-type: none"> - Passport with date of entry -or- - Passport -and- a US school record #, rental statement or utility bill for a US property, bank statement, US state ID card or driver's license that lists the applicant's name and US address, or US visa -or- - US school record #, rental statement or utility bill for a US property, bank statement, US state ID card or driver's license that lists the applicant's name and US address, or US visa -and- two documents from the following list: <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> <ul style="list-style-type: none"> Birth certificate National ID card Foreign voter's registration card Foreign driver's license Foreign military ID </td> <td style="width: 50%; border: none;"> <ul style="list-style-type: none"> USCIS photo ID US driver's license US military ID US state ID </td> </tr> </table>	<ul style="list-style-type: none"> Birth certificate National ID card Foreign voter's registration card Foreign driver's license Foreign military ID 	<ul style="list-style-type: none"> USCIS photo ID US driver's license US military ID US state ID 	<p>For a dependent under 6 years old, choose one of the following options:</p> <ul style="list-style-type: none"> - Passport -or- - Birth certificate and medical record * - Birth certificate and school record # <p>For a dependent 6-17 years old, choose one of the following options:</p> <ul style="list-style-type: none"> - Passport -or- - Birth certificate and school record # <p>For a dependent 18 years and older, choose one of the following options:</p> <ul style="list-style-type: none"> - Passport -or- - Two documents from the following list: <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> <ul style="list-style-type: none"> Birth certificate National ID card Foreign voter's registration card Foreign driver's license Foreign military ID </td> <td style="width: 50%; border: none;"> <ul style="list-style-type: none"> Visa issued by the Dept of State USCIS photo ID US driver's license US military ID US State ID </td> </tr> </table>	<ul style="list-style-type: none"> Birth certificate National ID card Foreign voter's registration card Foreign driver's license Foreign military ID 	<ul style="list-style-type: none"> Visa issued by the Dept of State USCIS photo ID US driver's license US military ID US State ID
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PROSPER TAX HELP

Refer to “ITIN Document Requirements” on CTC Resources for detailed information on what documents can be submitted for each applicant.

There are different requirements for dependents based on age.

- Dependents under 6 usually submit either the passport OR the birth certificate and medical record.
- Dependents 6 – 17 usually submit either the passport OR the birth certificate and school record.
- Dependents 18 years and older have the same requirement as the primary and spouse: passport OR two documents from the list.

For medical and school records, it doesn't need an expiration date specifically but must be dated within 1 year of submitting the application. These must also be original and signed by a school official.

The “ITIN Document Requirements” handout has all the specific details needed for the client to know which documents will work and what each document must contain.

Tax Law Change & ITINs: TY2019

- Spouses and dependents living outside the U.S. cannot apply for or renew an ITIN unless there is a specific tax benefit on the return.

Spouses and dependents living outside of the United States cannot apply for or renew an ITIN unless there is an allowable tax benefit on the return.

This does not impact ITINs not needing to be renewed.

For spouses, Married Filing Jointly will get them a higher standard deduction (\$24,000) than Married Filing Separately (\$12,000).

The situations in which there would be an allowable tax benefit to claim a dependent living in Mexico would include claiming a dependent parent who qualifies you for Head of Household (you would have to be unmarried) and if someone on the return had Marketplace insurance and reconciling Premium Tax Credits with more people in the household (e.g. 3 people versus 2) results in more net Premium Tax Credits being awarded to the taxpayer.

Tax Law Change & ITINs: TY2019

- **Examples for tax year 2019:**
 - An unmarried person claiming her parent living in Mexico who qualifies her for Head of Household
 - If someone on the return had Marketplace health insurance, reconciling Premium Tax Credits with a larger family size

Tax Law Change & ITINs: Prior Years

- **Example for tax years 2014 – 2018:** If someone on the return has an SSN and did not have health insurance, claiming all qualifying dependents could allow that individual to qualify for the Code G exemption (tax household income under 138% FPL) to avoid the Shared Responsibility Payment.

PROSPER TAX HELP 

For tax years 2014 to 2018, everyone on the return needed to have health insurance, qualify for an exemption, or pay a penalty. People with ITINs usually qualify for an exemption under Code C. However, if someone on the return in these prior years had a SSN, did not have health insurance, and did not otherwise qualify for an exemption, a larger family household could put them under 138% of the Federal Poverty Level and qualify them for the Code G exemption to avoid the Shared Responsibility Payment.

For tax years 2017 and prior, a roughly \$4,000 exemption amount was awarded for each person on the return. This would subtract \$4,000 (per person) from taxable income. So if we are preparing a return for 2017 or earlier, the allowable tax benefit for applying for or renewing an ITIN would apply if the dependency exemption for that dependent resulted in a more favorable outcome on the return.

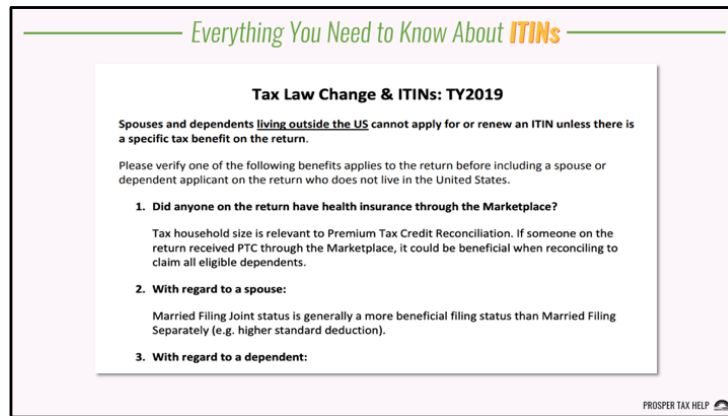
Tax Law Change & ITINs: Prior Years

- **Example for tax years 2017 and prior:** The dependency exemption. This was ~\$4,000 that you could subtract from taxable income for each dependent.

PROSPER TAX HELP 

For tax years 2014 to 2018, everyone on the return needed to have health insurance, qualify for an exemption, or pay a penalty. People with ITINs usually qualify for an exemption under Code C. However, if someone on the return in these prior years had a SSN, did not have health insurance, and did not otherwise qualify for an exemption, a larger family household could put them under 138% of the Federal Poverty Level and qualify them for the Code G exemption to avoid the Shared Responsibility Payment.

For tax years 2017 and prior, a roughly \$4,000 exemption amount was awarded for each person on the return. This would subtract \$4,000 (per person) from taxable income. So if we are preparing a return for 2017 or earlier, the allowable tax benefit for applying for or renewing an ITIN would apply if the dependency exemption for that dependent resulted in a more favorable outcome on the return.



A document titled “Tax Law Change & ITINs” lives on the Resource page. It summarizes this change and all the examples of situations of allowable tax benefits that could apply to the return. It includes benefits available only on prior year returns.

I recommend referencing this document anytime you’re talking to a taxpayer about a spouse or dependent outside of the United States and whether to apply for or renew an ITIN for that person.

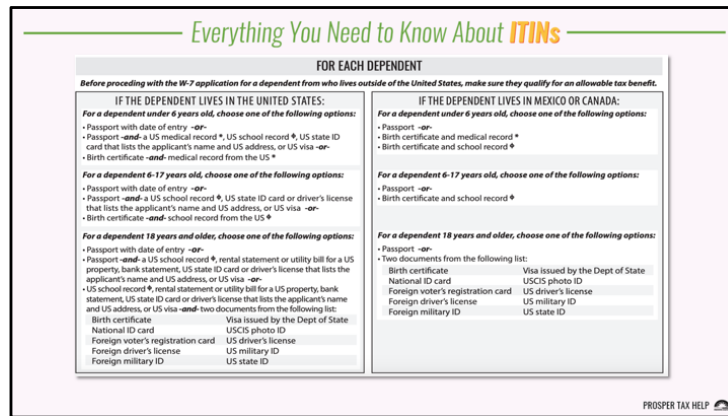
Tax Law Change & ITINs:

- A person's spouse and dependents who live outside the U.S. and are applying or renewing ITINs **MUST** qualify for a specific tax benefit.
- All dependents living in the U.S. who are applying for or renewing an ITIN must present proof of residency here.

So, we know that spouses and dependents living outside of the United States cannot apply for or renew an ITIN unless there is an allowable tax benefit on the return.

All dependents living in the United States who are applying for or renewing an ITIN must present proof they live here. Previously, dependents from Mexico and Canada were exempt from this rule.

This does not impact ITINs not needing to be renewed.



If a dependent who is applying for or renewing an ITIN lives outside the United States and you determine that the dependent qualifies for an allowable tax benefit, you do not need to (and can't) present proof of residency in the United States.

If the dependent lives in the United States, he will need to present proof that he lives here. If the passport has a date of entry stamp, that's enough. Otherwise, the dependent needs to submit specific documentation to show current proof of living in the US.

For dependents under 6, the medical record usually submitted with the birth certificate counts for this. For dependents 6 to 17, the school record usually submitted with the birth certificate counts. For dependents 18 years or older, they can submit a school record, utility bill, bank statement, or other option from the list.

There are very specific requirements for these documents, so I recommend giving the client one of these handouts and circling the section that applies to that dependent. (This handout is available in English and Spanish and will be printed at the sites to give to clients.)

For our returners, we will also have some of the blue and green handouts printed that clients can review to know the specific requirements for the medical and school records. But this handout showing on the slide also contains those details.

Signing Form W-7

- Each applicant signs their own W-7.
- If the applicant is not in U.S., the W-7 must be mailed for signature.
- If the applicant under 18 years old, a parent or legal guardian may sign. (Note: if niece or nephew, the parent of child must sign, not the primary taxpayer.)
- Do not date signature until ready to send to IRS - it may only be valid for 5 days.

PROSPER TAX HELP 

Form W-7 is something that needs to be submitted with every ITIN application and renewal. It must be signed by the applicant. If the applicant is under 18, the biological parent or legal guardian may sign for the applicant.

If the applicant is in another country, the taxpayer has to get the form to the applicant to sign.

A Form W7 will be filled out and generated with every ITIN application done for a return completed in TaxSlayer Pro. However, let me say again that Janet will re-do this form when meeting with the family. One of the reasons for this is that TaxSlayer prints documents with the date on them. The W-7 has an expiration date once you put a date on it, which usually expires by the time the printed form gets submitted to the IRS.

So if you are helping taxpayers with their return and you know they will need the Form W7 signed by anyone in another country, please print a blank W-7 from the IRS website. **Please do not give the W7 generated in TaxSlayer to the client to sign.**

Our process

- Complete Form W-7 in software only for applicants
 - *It's okay if the W-7 is not complete or correct*
- Complete and QR the rest of the tax return
- Always send taxpayers to Janet. She will complete W-7s, answer questions, and help the client finish the process.

Everything You Need to Know About **ITINs**

What do we give to the client?

PROSPER TAX HELP
The ITIN Application and Renewal Process

The ITIN application takes 4-6 weeks to process.

Each ITIN applicant must sign their own application. Parents of 7-year-olds under the age of 18. Applicants under 18 years of age can't check to have a guardian sign for them. In this case, you may have to mail the ITIN to the applicant or applicant's parent for signing before completing the process.

It's important to monitor any letters from the IRS, or you may have to reapply. **ITIN letters.**

You may call the IRS helpline (800-908-9962) to check the status of your application or to request a copy of your ITIN letter.

The following documents are required for each ITIN application or renewal:
(All documents must be original and unexpired.)

FOR THE PRIMARY TAXPAYER	FOR THE SPOUSE
<p>Choose one of the following options:</p> <ul style="list-style-type: none"> - Passport - Any two documents from this list: <ul style="list-style-type: none"> Birth certificate National ID card Foreign driver's license Foreign military ID <p><small>Must contain examples include:</small></p> <ul style="list-style-type: none"> - Passport only - Birth certificate and valid National ID card (e.g. multiple countries) - Birth certificate and foreign voter's registration card - National ID card and foreign voter's registration card 	<p>Choose one of the following options:</p> <ul style="list-style-type: none"> - Passport - Any two documents from this list: <ul style="list-style-type: none"> Birth certificate National ID card Foreign driver's license Foreign military ID <p><small>Must contain examples include:</small></p> <ul style="list-style-type: none"> - Passport only - Birth certificate and National ID card (e.g. multiple countries) - Birth certificate and foreign voter's registration card - National ID card and foreign voter's registration card

PROSPER CENTERS
How to Get or Renew an ITIN

Prosper Tax Centers are open to help you get or renew your ITIN. You will need to bring your original documents to the office. You will also need to bring your original documents to the office to get or renew your ITIN.

1. Make your appointment at one of our Tax Centers. Call 800-908-9962 for more information.

2. Gather the following documents:

- Completed and signed application form.
- A passport OR two forms of identification for each person meeting the ITIN use of which must include a valid date of birth. (See the instructions for the ITIN application/renewal and prepare your documents for processing.)

3. Bring your documents to one of our Tax Centers. Call 800-908-9962 for more information.

4. The Tax Centers can mail your completed tax return, W-7 ITIN application/renewal, and original documents to the IRS.

5. You will receive an appointment at the IRS office to present your appointment. (You will keep your original documents if you present them to present at the IRS office.)

6. You will receive your ITIN letter.

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What are ITIN days? Janet and Clarissa (her helper) will be at Prosper Center South on Tuesdays from 9am-1pm and Prosper Center North on Thursdays from 9am-1pm during the season (from February 4 – April 9). The sign-in sheet will be put out between 8:30am and 9am (when the doors open at the site). There are a few appointments available each day, but the majority of traffic is walk-in. The helper will be able to answer any and all questions clients have about the process, even if Janet isn't able to complete the process with the taxpayers that same day.

Myths about ITINs

True or false? The tax centers will provide the client with their ITIN number when we meet with them.

We're almost done! I just want to review 3 myths that we encounter in tax centers.

It's really important we help clients accurately and efficiently navigate the ITIN application and renewal process. Mistakes in this process can cause significant delays for our clients and very real problems for them.

Myths about ITINs

True or false? The tax centers will provide the client with their ITIN number when we meet with them.

False. The ITIN is issued by the IRS and takes two months to be processed and for the ITIN letter to be sent to the client. We help clients submit all the required paperwork to the IRS.

We're almost done! I just want to review 3 myths that we encounter in tax centers.

It's really important we help clients accurately and efficiently navigate the ITIN application and renewal process. Mistakes in this process can cause significant delays for our clients and very real problems for them.

Myths about ITINs

True or false? When an ITIN is renewed, the client gets a new number.

Myths about ITINs

True or false? When an ITIN is renewed, the client gets a new number.

False. The ITIN never changes. Even though the number “expires,” the client keeps the same number when renewing it.

Myths about ITINs

True or false? An ITIN applicant needs to first get the ITIN and then file their tax return.

Myths about ITINs

True or false? An ITIN applicant needs to first get the ITIN and then file their tax return.

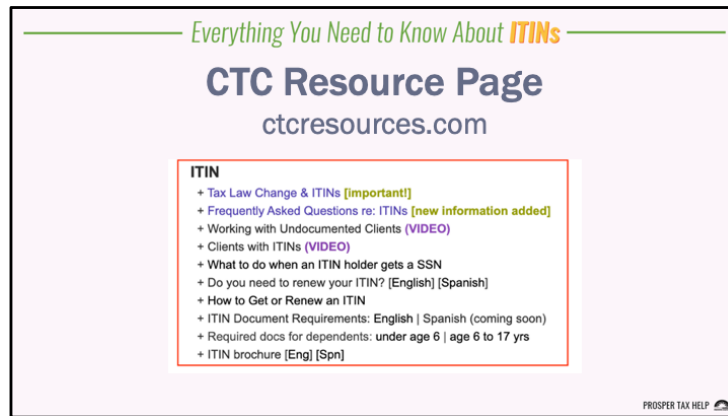
False. The tax return is submitted with the ITIN application. The IRS assigns the client an ITIN and then processes the return with the new ITIN.

PROSPER TAX HELP 

Please just make sure the return itself (other than the W7) is correct, complete, set to paper, and has been QR'd. Print 2 copies of the return for the client, give them the correct handouts, and have them come on ITIN days. **Do not e-file return; do not give the client a pre-addressed envelope; do not tell the client to mail the return herself; do not leave the client not knowing what step to take next.**

Important things to note:

- For ITIN applications we put 000-00-0000 and for MFS returns when the spouse's SSN is unknown we put 111-00-1111. These are designate placeholders recognized by other volunteers.
- Other than that, **we NEVER put a number other than the actual ITIN or SSN for a taxpayer. Do not ever make up a fake number.**



Every document I've shown you today is available on CTC Resources. Additionally, all of the documents intended as handouts will be printed and available at the tax sites.

I encourage you to check out the Frequently Asked Questions document also for any other questions you may have. It has a lot of answers for less common situations.

Please just make sure the return itself (other than the W7) is correct, complete, set to paper, and has been QR'd. Print 2 copies of the return for the client, give them the correct handouts, and have them come on ITIN days. **Do not e-file return; do not give the client a pre-addressed envelope; do not tell the client to mail the return herself; do not leave the client not knowing what step to take next.**